

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY  
Regular Audit  
For the Years Ended December 31, 2013 and 2012**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Gustavus Township  
3139 Wakefield Circle Road  
Farmdale, Ohio 44417

We have reviewed the *Independent Auditor's Report* of Gustavus Township, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Gustavus Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

July 17, 2014

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GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY

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**INDEPENDENT AUDITOR'S REPORT**

June 27, 2014

Gustavus Township  
Trumbull County  
3139 Wakefield Cr Rd  
Farmdale, Ohio 44417

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of **Gustavus Township**, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Gustavus Township, Trumbull County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 26,594	\$ 115,752	\$ -	\$ 142,346
Charges for Services	-	802	-	802
Licenses, Permits and Fees	-	6,982	-	6,982
Intergovernmental	17,730	109,808	11,861	139,399
Special Assessments	-	2,721	-	2,721
Earnings on Investments	164	164	-	328
Miscellaneous	128,636	8,966	-	137,602
<i>Total Cash Receipts</i>	<u>173,124</u>	<u>245,195</u>	<u>11,861</u>	<u>430,180</u>
<b>Cash Disbursements</b>				
Current:				
General Government	51,232	19,316	-	70,548
Public Safety	12,825	44,925	-	57,750
Public Works	2,713	59,529	-	62,242
Health	-	24,893	-	24,893
Conservation-Recreation	7,942	-	-	7,942
Capital Outlay	-	9,683	-	9,683
Debt Service:				
Principal Retirement	-	-	10,796	10,796
Interest and Fiscal Charges	-	-	1,065	1,065
<i>Total Cash Disbursements</i>	<u>74,712</u>	<u>158,346</u>	<u>11,861</u>	<u>244,919</u>
<i>Excess of Receipts Over Disbursements</i>	98,412	86,849	-	185,261
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	1,000	-	1,000
Transfers Out	(1,000)	-	-	(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	97,412	87,849	-	185,261
<i>Fund Cash Balances, January 1</i>	<u>79,510</u>	<u>153,660</u>	<u>-</u>	<u>233,170</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	241,509	-	241,509
Unassigned	176,922	-	-	176,922
<i>Fund Cash Balances, December 31</i>	<u>\$ 176,922</u>	<u>\$ 241,509</u>	<u>\$ -</u>	<u>\$ 418,431</u>

The notes to the financial statements are an integral part of this statement.



**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 27,139	\$ 113,490	\$ -	\$ 140,629
Charges for Services	-	11,072	-	11,072
Licenses, Permits and Fees	-	6,044	-	6,044
Intergovernmental	17,126	100,987	11,861	129,974
Earnings on Investments	219	219	-	438
Miscellaneous	984	8,130	-	9,114
<i>Total Cash Receipts</i>	<u>45,468</u>	<u>239,942</u>	<u>11,861</u>	<u>297,271</u>
<b>Cash Disbursements</b>				
Current:				
General Government	81,374	21,380	-	102,754
Public Safety	8,183	53,190	-	61,373
Public Works	3,016	132,705	-	135,721
Health	-	19,195	-	19,195
Conservation-Recreation	4,700	-	-	4,700
Capital Outlay	3,800	15,013	-	18,813
Debt Service:				
Principal Retirement	-	-	10,296	10,296
Interest and Fiscal Charges	-	-	1,565	1,565
<i>Total Cash Disbursements</i>	<u>101,073</u>	<u>241,483</u>	<u>11,861</u>	<u>354,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(55,605)	(1,541)	-	(57,146)
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	3,000	-	3,000
Transfers Out	(3,000)	-	-	(3,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(58,605)	1,459	-	(57,146)
<i>Fund Cash Balances, January 1</i>	<u>138,115</u>	<u>152,201</u>	<u>-</u>	<u>290,316</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	153,660	-	153,660
Unassigned	79,510	-	-	79,510
<i>Fund Cash Balances, December 31</i>	<u>\$ 79,510</u>	<u>\$ 153,660</u>	<u>\$ -</u>	<u>\$ 233,170</u>

The notes to the financial statements are an integral part of this statement.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Gustavus Township, Trumbull County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity. This organization is a:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

All deposits are maintained in an interest-bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for in another fund.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges..

Special Levy – This fund receives property tax money to provide ambulance and emergency medical services to Township residents.

Fire Special Levy - This fund receives property tax money to provide fire protection to Township residents.

**3. Debt Service**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Loan Retirement Fund – This fund was established to pay the debt payments on the Township's loan.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classified assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned funds balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amount represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED DEPOSITS**

The Township maintains a deposit pool that all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2013	2012
Demand Deposits	\$ 418,431	\$ 233,170
Total Deposits	\$ 418,431	\$ 233,170

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 169,505	\$ 173,124	\$ 3,619
Special Revenue	256,257	246,195	(10,062)
Debt Service	11,861	11,861	-
Total	\$ 437,623	\$ 431,180	\$ (6,443)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,330	\$75,712	\$10,618
Special Revenue	278,042	158,346	119,696
Debt Service	11,861	11,861	-
Total	\$376,233	\$245,919	\$130,314

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,062	\$ 45,468	\$ (2,594)
Special Revenue	239,135	242,942	3,807
Debt Service	11,861	11,861	-
Total	\$ 299,058	\$ 300,271	\$ 1,213

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$ 109,296	\$ 104,073	\$ 5,223
Special Revenue	307,630	241,483	66,147
Capital Projects	11,861	11,861	-
Total	\$ 428,787	\$ 357,417	\$ 71,370

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
2008 GMC Dump Truck	\$ 11,061	4.75%
Total	\$ 11,061	

In 2008, the Township received a loan from Cortland Savings and Banking Co. for a 2008 GMC Dump Truck for the principal amount of \$60,500 at a rate of 4.75%. Annual payments of \$11,860.63 are scheduled for six years. The loan is scheduled to be paid in full in 2014.

**6. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**7. RISK MANAGEMENT (CONTINUED)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>8,486,363</u>	<u>9,355,082</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**7. RISK MANAGEMENT (CONTINUED)**

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$6,011	\$5,942

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

June 27, 2014

Gustavus Township  
Trumbull County  
3139 Wakefield Cr Rd  
Farmdale, Ohio 44417

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Gustavus Township**, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 27, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 27, 2014.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**GUSTAVUS TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2013-001**

**Material Weakness**

**Posting Disbursements and Fund Balance Classification**

Disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Disbursements and Fund Balances were not always posted or classified correctly. The following errors were noted:

- Debt payments were incorrectly posted as principal only payments instead of principal and interest payments in 2013 and 2012
- Restricted zoning receipts were incorrectly classified as assigned instead of restricted in 2012

Not posting disbursements or classifying Fund Balances accurately resulted in the financial statements requiring reclassifications and adjustments. The Township has agreed with and posted the adjustments to their accounting system. The financial statements reflect all reclassifications and the adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend the management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all disbursements and Fund Balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine proper establishment of disbursement accounts and posting of disbursements. We also recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 to determine proper classification of Fund Balances.

**Officials' Response** – Officials did not provide a response to this finding.

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# Dave Yost • Auditor of State

**GUSTAVUS TOWNSHIP**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2014**