



**Auditor of State  
Betty Montgomery**



WAYNE TOWNSHIP  
FAYETTE COUNTY

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# Mary Taylor, CPA

Auditor of State

Wayne Township  
Fayette County  
3819 Main Street SE  
Washington Court House, Ohio 45160

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

March 22, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township  
Fayette County  
3819 Main Street SE  
Washington Court House, OH 45160

To the Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Wayne Township, Fayette County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

March 22, 2007



**WAYNE TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$39,670	\$29,709	\$0	\$69,379
Intergovernmental	61,360	90,537		151,897
Special Assessments		5,335		5,335
Licenses, Permits, and Fees	958	346		1,304
Earnings on Investments	1,457	1,415		2,872
Other Revenue	1,313	1,140		2,453
	<u>104,758</u>	<u>128,482</u>	<u>0</u>	<u>233,240</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	78,499	214		78,713
Public Safety		23,816		23,816
Public Works		44,697		44,697
Health	14,218	1,484	523	16,225
Capital Outlay		49,524		49,524
	<u>92,717</u>	<u>119,735</u>	<u>523</u>	<u>212,975</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>12,041</u>	<u>8,747</u>	<u>(523)</u>	<u>20,265</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Bonds		35,000		35,000
Advances-In		500		500
Advances-Out	(500)	0	0	(500)
	<u>(500)</u>	<u>35,500</u>	<u>0</u>	<u>35,000</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>11,541</u>	<u>44,247</u>	<u>(523)</u>	<u>55,265</u>
<b>Fund Cash Balances, January 1</b>	<u>75,578</u>	<u>97,268</u>	<u>5,785</u>	<u>178,631</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$87,119</b></u>	<u><b>\$141,515</b></u>	<u><b>\$5,262</b></u>	<u><b>\$233,896</b></u>

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

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$39,625	\$29,731	\$0	\$69,356
Intergovernmental	33,105	85,739		118,844
Special Assessments		5,050		5,050
Licenses, Permits, and Fees	999			999
Earnings on Investments	369	301		670
Other Revenue	2,396	1,280		3,676
	<u>76,494</u>	<u>122,101</u>	<u>0</u>	<u>198,595</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	68,915			68,915
Public Safety		25,103		25,103
Public Works		81,425		81,425
Health	292	19,258		19,550
Capital Outlay		22,840		22,840
	<u>69,207</u>	<u>148,626</u>	<u>0</u>	<u>217,833</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>7,287</u>	<u>(26,525)</u>	<u>0</u>	<u>(19,238)</u>
Fund Cash Balances, January 1	<u>68,291</u>	<u>123,793</u>	<u>5,785</u>	<u>197,869</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$75,578</b></u>	<u><b>\$97,268</b></u>	<u><b>\$5,785</b></u>	<u><b>\$178,631</b></u>

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

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 the Wayne Township, Fayette County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and cemetery maintenance and fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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. Cash Deposits**

The Township invests all available funds, except the Fiduciary Funds, in an interest-bearing checking account with a local commercial bank. The Fiduciary Funds' assets are invested in U.S. savings bonds. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively. Savings bonds are reported at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining, and repairing Township roads

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

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

Fire Levy Fund - This fund receives property tax money to pay for providing fire protection to township residents.

Permissive Motor Vehicle License Fund - This fund receives proceeds from the permissive motor vehicle license tax levied by Fayette County to pay for maintaining and repairing Township roads.

**3. Fiduciary Funds**

These funds are used to account for resources restricted by legally binding trust agreements. The McHenry Non-expendable Trust Fund was bequeathed to the Township to keep the monument, markers and lot of the McHenry family in good repair and condition. The Expendable Trust Fund is used to account for monies bequeathed to the Township from Margaret Murray and William Rogers for cemetery care.

**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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, there were no material outstanding encumbrances at December 31, 2005 and 2004.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**F. 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 CASH AND DEPOSITS**

The Township maintains a cash and deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2005	2004
Demand deposits	\$231,896	\$176,631
U.S. Savings Bonds	2,000	2,000
Total deposits and investments	\$ 233,896	\$ 178,631

**A. Deposits**

Deposits up to \$100,000 are insured by the Federal Depository Insurance Corporation. The depository provides pooled securities for deposits over and above F.D.I.C. coverage.

**B. Investments**

The U.S. Savings Bonds are insured by the U.S. Government and are registered in the Township's name. The carrying amount and market value of investments at December 31, 2005 and 2004 was \$2,000.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,680	\$104,758	\$42,078
Special Revenue	110,995	163,982	52,987
Fiduciary	45	0	(45)
Total	\$173,720	\$268,740	\$95,020

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,213	\$93,217	\$27,996
Special Revenue	225,308	119,735	105,573
Fiduciary	5,830	523	5,307
Total	\$352,351	\$213,475	\$138,876

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,930	\$76,494	\$15,564
Special Revenue	109,540	122,101	12,561
Fiduciary	45	0	(45)
Total	\$170,515	\$198,595	\$28,080

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,773	\$69,207	\$58,566
Special Revenue	234,784	148,626	86,158
Fiduciary	5,830	0	5,830
Total	\$368,387	\$217,833	\$150,554

Contrary to Ohio law, the Township did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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, 2005 was as follows:

	Principal	Interest Rate
Fire Equipment Bond	<u>\$35,000</u>	3.8%

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT (Continued)**

The fire equipment bond was issued August 30, 2005 for five years to purchase a new fire truck and related equipment. Amortization of the bonded debt, including interest, is scheduled as follows:

	General Obligation Fire Equipment Bond
Year ending December 31:	
2006	\$7,752
2007	7,752
2008	7,752
2009	7,752
2010	7,752
Total	\$38,760

**6. RETIREMENT SYSTEMS**

The Township's elected officials, part time employees and fire department officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries.

The Township's part time fire fighters contribute to Social Security. Contribution rates for 2005 and 2004 were 6.2% for employee and employer.

The District has not paid all contributions required through December 31, 2005. At December 31, 2003, \$847 Social Security withholdings had been withheld during 2004 and 2005, but not remitted. The \$847 employer share of Social Security for 2004 and 2005, and the \$3,084 third and fourth quarter OPERS employer share had not been paid as of December 31, 2005.

**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.

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241



**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$16,476. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b><u>Township Contributions to OTARMA</u></b>	
2003	(not OTARMA member)
2004	\$8,155
2005	\$8,238

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of 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 was incurred or reported prior to the withdrawal.

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Wayne Township  
Fayette County  
3819 Main Street SE  
Washington Court House, OH 45160

To the Board of Trustees:

We have audited the financial statements of Wayne Township, Fayette County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated March 22, 2007 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 through 2005-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above to be a material weakness. In a separate letter to the Township's management dated March 22, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### 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, providing an opinion 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 instances of noncompliance that we must report under *Government Auditing Standards* that are described in the accompanying schedule of findings as items 2005-001 and 2005-003 through 2005-013. Also, in a separate letter to the Township's management dated March 22, 2007 we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, and the Board of Trustees, and is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 22, 2007

WAYNE TOWNSHIP  
FAYETTE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

**Finding for Recovery Repaid Under Audit / Noncompliance Citation**

**Ohio Rev. Code Section 507.09** provides that the township clerk is entitled to compensation based on the township's annual budget. In townships having a budget of more than \$250,001 but not more than \$500,000, the township clerk's compensation is established at the following:

Year	Established Rate	Amount Paid	Variance
2004	\$11,447 (*)	\$11,548	\$101
		<b>Overpayment</b>	<b>\$101</b>

\* The 2004 established rate is calculated with three months at \$11,143 and nine months at \$11,548.

The township clerk was paid the above rates during the audit period resulting in a net overpayment. The township clerk paid herself at the higher 2004 rate for all of 2004 rather than paying the lower 2003 rate for the first three months of 2004 and starting the higher 2004 rate when her new term began in April.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended would have been issued against Ruth Ann Ruth, township fiscal officer, in the amount of \$101 and in favor of Wayne Township's General Fund. This was re-paid under audit.

**Officials' Response**

We received no response from Officials to this finding.

FINDING NUMBER 2005-002

**Reportable Condition**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

**FINDING NUMBER 2005-002  
(Continued)**

Proper documentation was not always attached to the vouchers to support the validity of the expenditure; no documentation was presented that disbursements were authorized before payment; and no prior approval of bill payment was noted in the minutes. During our testing of non-payroll disbursements, 11% of the expenditures tested in 2004 and 5% of the expenditures tested in 2005 did not have sufficient detail on the supporting documentation to evaluate whether it was for a proper public purpose. The lack of a system of approvals and documentation significantly increases the probability of expenditures being made that are not for a proper public purpose. Alternative auditing methods were used to determine the legitimacy of the expenditures, such as vendor confirmation and examining canceled check endorsements.

We recommend the Clerk should attach vendor invoices and supporting documentation including, but not limited to, original itemized invoices of goods and services received and mileage logs, to the vouchers to support the validity of the expenditure and District Trustees should institute procedures for the approval of the payment of bills. Vouchers should be signed by both Trustees. No check should be signed, unless it is supported by detailed receipt. By having the voucher signed by two Trustees and requiring a detailed receipt before the check is cut, the District would ensure that the expenditures are properly approved.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-003**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Section 133.32(A)** provides that an amount equal to the principal of the securities issued shall be credited to the fund for the purpose of which the securities are issued and used for the purpose set forth in the legislation. The Township issued a general obligation bond for the purpose of purchasing a fire truck and related equipment. The proceeds from the bond issue were placed in the Fire Levy Fund. Although there were sufficient monies in the Fire Levy Fund, part of the purchase price of the truck and equipment was paid from the General Fund, instead of from the proceeds of the bond issue. An adjustment of \$17,462 was required from the Fire Levy Fund to the General Fund to correct the expenditure made from the General Fund. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. Although Township Officials are allowed to use General Fund monies for any purpose, we recommend that in the future, if a levy has been passed for a specific purpose, such as the purchase of a fire truck, the levy monies be expended first for that purpose.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-004**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Section 145.51** requires each employer to pay a percentage of the earnable salary of all contributors in their employment to OPERS. Ninety days after the end of a quarterly period, any amounts that remain unpaid are subject to a penalty for late payment in the amount of five percent. In addition, interest on past due amounts and penalties may be charged. No checks were issued to PERS as of March 2007 for the employer share of OPERS for the pay periods ending September through December of 2005. Documentation was discovered showing \$159 in late charges that had been paid during 2004 and 2005 for failure to pay the employer share in a timely manner. We recommend that the Fiscal Officer submit payments within the 90 day allowable period to avoid the unnecessary expenditure of public funds for late fees.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-005**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Section 515.08** provides in part that the cost and expenses of furnishing and maintaining street lights shall be paid from a fund raised by special assessments against the lots and lands which are benefited by such lighting. **Ohio Rev. Code Section 5705.09(F)** requires a special fund for each class of revenues derived from a source other than the general property tax, which the laws requires to be used for a particular purpose. The second half 2004 special assessments due to the Flakes Ford Lighting Assessment Fund were credited to the Good Hope Lighting Assessment Fund. The second half 2004 special assessments due to the Good Hope Lighting Assessment Fund were credited to the Flakes Ford Lighting Assessment Fund. Adjustments of \$720 from the Good Hope Lighting Assessment Fund to the Flakes Ford Lighting Assessment Fund, and \$1,328 from the Flakes Ford Lighting Assessment Fund to the Good Hope Lighting Assessment Fund were required to correct this posting error. The Township has posted the adjustments, and they are reflected in the accompanying financial statements. We recommend that the Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper funds. We further recommend that Township Trustees take an active role in reviewing the postings to the accounting system.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-006**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Section 4503.02** provides for an annual license tax levied upon the operation of motor vehicles on public roads or highways to be used for the road purposes described in that section. **Ohio Rev. Code Section 5705.10(D)** provides in part, that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. Motor vehicle license tax distributions of \$410 in 2004 and \$588 in 2005 were improperly credited to the Gasoline Tax Fund. An adjustment was required of \$998 from the Gasoline Tax Fund to the Motor Vehicle License Tax Fund to correct the posting errors. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. The Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper fund. We further recommend that Township Trustees take an active role in reviewing the postings to the accounting system.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-007**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Sections 4504.05** requires that county levied permissive motor vehicle license tax money allocated to townships be paid into the treasuries of the township and shall be used only for the road purposed described in 4504.18. **Ohio Rev. Code Section 5705.10(D)** provides that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. A permissive motor vehicle license tax distribution in 2005 was improperly credited to the Good Hope Lighting Assessment Fund. An adjustment was required of \$249 from the Good Hope Lighting Assessment Fund to the Permissive Motor Vehicle License Tax Fund to correct the posting error. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. The Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper fund. We further recommend that Township Trustees take an active role in reviewing the postings to the accounting system.

**Officials' Response**

We received no response from Officials to this finding.



### FINDING NUMBER 2005-008

#### Noncompliance Citation / Reportable Condition

**Ohio Rev. Code Section 5705.07** provides that the taxing authority of any subdivision may make tax levies authorized in excess of the ten-mill limitation by vote of the people. A 1.5 mill levy was passed for providing and maintaining fire apparatus, appliances, building and sites, materials and maintenance of fire lines, fire alarms and other related items and for the payment of salaries of firefighters. **Ohio Rev. Code Section 5705.10(C)** provides that all revenue from a special levy shall be credited to a special fund for the purpose for which the levy was made. The second half 2005 real estate taxes due to the Fire Levy Fund were improperly credited to the Gasoline Tax Fund. An adjustment was required of \$12,344 from the Gasoline Tax Fund to the Fire Levy Fund to correct the posting error. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. The Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper fund. We further recommend that Township Trustees take an active role in reviewing the postings to the accounting system.

#### Officials' Response

We received no response from Officials to this finding.

### FINDING NUMBER 2005-009

#### Noncompliance Citation/Reportable Condition

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**FINDING NUMBER 2005-009**  
**(Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 22% of the 2004 transactions tested. Purchase orders were completed for the remaining expenditures tested, however, they were not signed by the Fiscal Officer. In 2005, super blanket purchase orders were used for all expenditures, but they were not signed by the Fiscal Officer. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. All purchase orders should be signed by the Fiscal Officer and Trustees. Super blanket purchase orders should only be used for specific recurring and reasonably predictable operating expenses.

**Officials’ Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-010**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Chapter 5735** provides in part, for levies of motor fuel excise tax to be used for road and highway purposes. **Ohio Rev. Code Section 5705.10(D)** provides in part, that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. A gasoline tax distribution was improperly credited to the Motor Vehicle License Tax Fund during 2005. An adjustment was required of \$3,482 from the Motor Vehicle License Tax Fund to the Gasoline Tax Fund to correct the posting error. The Township has posted the adjustment, and it is reflected in the accompanying financial statements. The Fiscal Officer should take due care in performing her duties and review her postings to the accounting system to assure that receipts were posted to the proper fund. We further recommend that Township Trustees take an active role in reviewing the postings to the accounting system.

**FINDING NUMBER 2005-010  
(Continued)**

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-011**

**Noncompliance Citation / Reportable Condition**

**Ohio Rev. Code Section 5747.06** requires every employer to deduct and withhold from employees' compensation a state income tax. **Ohio Rev. Code Section 5747.07** requires an employer to make the payment of undeposited taxes each quarter of the year. State taxes in the amount of \$804 during 2004 and \$699 during 2005 were withheld from employees' pay. Quarterly remittances of the withholdings were not made. Checks were recorded as being issued on December 31, 2005 in the amounts of the 2004 and 2005 withholdings. We reviewed bank statements and cancelled checks through March 2007 and did not find where these remittance checks had cleared the bank. Failure to remit the state tax withholdings will result in the assessment of penalties and interest against the Township. The Fiscal Officer should submit payments on a timely basis to avoid the unnecessary expenditure of public funds for late fees.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-012**

**Noncompliance Citation / Reportable Condition**

**Ohio Constitution XII, Section 5a Ohio Constitution and 1982 Op. Atty Gen. No. 82-031** require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Interest earned on the deposits from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund were credited to the General Fund during 2004 and 2005. An adjustment of \$301 from the General Fund and \$40 to the Motor Vehicle License Tax Fund, \$185 to the Gasoline Tax Fund, and \$76 to the Permissive Motor Vehicle License Tax Fund was required to distribute the 2004 interest as required. An adjustment of \$1,415 from the General Fund and \$186 to the Motor Vehicle License Tax Fund, \$878 to the Gasoline Tax Fund, and \$351 to the Permissive Motor Vehicle License Tax Fund was required to distribute the 2005 interest as required. The Township has posted the adjustments, and they are reflected in the accompanying financial statements. The Township Officials should review the Ohio Compliance Supplement and Township Manual to assure that laws are being properly followed.

**Officials' Response**

We received no response from Officials to this finding.

**FINDING NUMBER 2005-013**

**Noncompliance Citation**

**26 U.S.C. Section 3101(a)** generally imposes on the income of every individual a 6.2% federal insurance contributions act tax (Social Security) on the wages received by him with respect to employment. **26 U.S.C. Section 3101(b)** generally imposes on the income of every individual a Medicare tax of 1.45% of the wages received by him with respect to employment. **26 U.S.C. Section 3102(a)** provides that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. **26 U.S.C. Section 3102(b)** provides that every employer required to deduct the tax shall be liable for the payment of such tax.

Social Security tax withholdings of \$400 in 2004 and \$446 in 2005 made from part time firemen's pay has not been remitted to the Internal Revenue Service.

Medicare taxes of \$926 in 2004 and \$952 in 2005 deducted from employee's pay have not been remitted to the Internal Revenue Service.

**26 U.S.C. Section, 3111(a)**, generally requires every employer to pay a 6.2% social security tax on wages paid to employees. Social Security withholdings were made from part time fireman's pay, but the employer share of social security tax for 2004 of \$400 and for 2005 of \$446 was not paid as required.

**26 U.S.C. Section, 3111(b)**, generally requires every employer to pay a 1.45% Medicare tax on wages paid to employees. The employer share of Medicare for 2004 of \$926 and for 2005 of \$952 was not paid as required.

**26 U.S.C. Section, 3402(a) (1)**, generally provides that every employer making payment of wages shall deduct and withhold upon such wages federal income tax. FICA taxes of \$3,995 in 2004 and \$3,751 in 2005 were deducted from employee's pay but have not been remitted to the Internal Revenue Service.

The Township's failure to remit withholdings and pay the employer share of taxes may result in IRS assessing penalties and interest. The Fiscal Officer should remit taxes on a timely basis to avoid the unnecessary expenditure of public funds for penalties and interest.

**Officials' Response**

We received no response from Officials to this finding.

**WAYNE TOWNSHIP  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	U.S.C. 26, 3403 Federal tax withholdings made were not remitted	No	Not Corrected; Repeat as Finding Number 2005-013
2003-002	Revised Code 5705.41(D), the availability of funds was not certified for certain commitments	No	Not Corrected: Repeat as Finding Number 2005-002
2003-003	Ohio Admin. Code, 117-2-02, accounting records	Yes	
2003-004	Revised Code 117.38 annual financial report	Yes	





Mary Taylor, CPA  
Auditor of State

WAYNE TOWNSHIP

FAYETTE 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  
APRIL 17, 2007