



**WAYNE TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

WAYNE TOWNSHIP
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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Mary Taylor, CPA

Auditor of State

Wayne Township
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 adverse 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.

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

Mary Taylor, CPA
Auditor of State

August 1, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

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, 2007 and 2006 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, 2007 and 2006 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, Knox County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Township changed its financial presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 August 1, 2008 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

August 1, 2008

**WAYNE TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 25,217	\$ 38,567	\$ -	\$ 63,784
Licenses, Permits, and Fees	2,574	-	-	2,574
Intergovernmental	26,945	105,331	-	132,276
Earnings on Investments	3,070	4,511	16	7,597
	<u>57,806</u>	<u>148,409</u>	<u>16</u>	<u>206,231</u>
Total Cash Receipts				
	<u>57,806</u>	<u>148,409</u>	<u>16</u>	<u>206,231</u>
Cash Disbursements:				
Current:				
General Government	53,753	19,488	-	73,241
Public Works	10,303	140,446	-	150,749
Health	1,785	-	35	1,820
Capital Outlay	154	83,865	-	84,019
	<u>65,995</u>	<u>243,799</u>	<u>35</u>	<u>309,829</u>
Total Cash Disbursements				
	<u>65,995</u>	<u>243,799</u>	<u>35</u>	<u>309,829</u>
Total Receipts (Under) Disbursements	<u>(8,189)</u>	<u>(95,390)</u>	<u>(19)</u>	<u>(103,598)</u>
Other Financing Receipts:				
Sale of Bonds	<u>-</u>	<u>83,865</u>	<u>-</u>	<u>83,865</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(8,189)	(11,525)	(19)	(19,733)
Fund Cash Balances, January 1	<u>26,863</u>	<u>55,531</u>	<u>1,177</u>	<u>83,571</u>
Fund Cash Balances, December 31	<u>\$ 18,674</u>	<u>\$ 44,006</u>	<u>\$ 1,158</u>	<u>\$ 63,838</u>

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

**WAYNE TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 30,223	\$ 46,533	\$ -	\$ 76,756
Licenses, Permits, and Fees	10,025	-	-	10,025
Intergovernmental	28,273	100,906	-	129,179
Earnings on Investments	283	46	34	363
	<u>68,804</u>	<u>147,485</u>	<u>34</u>	<u>216,323</u>
Total Cash Receipts				
	<u>68,804</u>	<u>147,485</u>	<u>34</u>	<u>216,323</u>
Cash Disbursements:				
Current:				
General Government	46,552	6,381	-	52,933
Public Works	-	147,632	-	147,632
Health	356	-	-	356
Capital Outlay	73	-	-	73
	<u>46,981</u>	<u>154,013</u>	<u>-</u>	<u>200,994</u>
Total Cash Disbursements				
	<u>46,981</u>	<u>154,013</u>	<u>-</u>	<u>200,994</u>
Total Receipts Over/(Under) Disbursements	<u>21,823</u>	<u>(6,528)</u>	<u>34</u>	<u>15,329</u>
Other Financing Receipts:				
Sale of Fixed Assets	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	<u>24,323</u>	<u>(6,528)</u>	<u>34</u>	<u>17,829</u>
Fund Cash Balances, January 1	<u>2,540</u>	<u>62,059</u>	<u>1,143</u>	<u>65,742</u>
Fund Cash Balances, December 31	<u>\$ 26,863</u>	<u>\$ 55,531</u>	<u>\$ 1,177</u>	<u>\$ 83,571</u>

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

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Knox County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. Fire protection and emergency medical services are provided by Fredericktown Joint Fire District and Fredericktown Community Joint Emergency Ambulance District, respectively.

The Township participates in three jointly governed organizations and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

The Township participates in three jointly governed organizations. These organizations are:

Fredericktown Community Joint Emergency Ambulance District

The District provides ambulatory services for residents of the Township. The District consists of Berlin, Middlebury, Morris, Wayne, and Pike Townships and the Village of Fredericktown.

Fredericktown Community Fire District

The District provides fire services for residents of the Township. The District consists of Berlin, Middlebury, Morris (a portion of the Township), Wayne and Pike Townships and the Village of Fredericktown.

Fredericktown Joint Recreation District

The District provides recreational services for residents of the Township. The District consists of Berlin, Middlebury, Morris, Pike, and Wayne Township and the Village of Fredericktown.

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.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in Star Ohio is valued at amounts reported by the State Treasurer.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements) 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) 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 canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

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 Investments

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

	2006	2007
Demand deposits	\$82,571	\$21,708
Certificates of deposit	1,000	0
Total deposits	83,571	21,708
 STAR Ohio	 0	 42,130
Total deposits and investments	\$83,571	\$63,838

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical of book-entry form.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,521	\$57,806	(\$10,715)
Special Revenue	215,927	232,274	16,347
Permanent	0	16	16
Total	\$284,448	\$290,096	\$5,648

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,384	\$65,995	\$29,389
Special Revenue	271,458	243,799	27,659
Permanent	152	35	117
Total	\$366,994	\$309,829	\$57,165

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,591	\$71,304	(\$2,713)
Special Revenue	135,640	147,485	(11,845)
Permanent	0	34	(34)
Total	\$204,231	\$218,823	(\$14,592)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,013	\$46,981	\$8,032
Special Revenue	186,616	154,013	32,603
Permanent	103	0	103
Total	\$241,732	\$200,994	\$40,738

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.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$83,865	5.5%

The Township issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

Amortization of the above debt, including interest, is scheduled as follows:

	General Obligation Bonds
Year ending December 31:	
2008	\$9,751
2009	11,447
2010	12,085
2011	12,759
2012	13,464
2013-2014	29,235
Total	\$88,741

6. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes this plan benefits, which include post retirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (continued)

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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, 2007 and 2006.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,060. 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.

<u>Contributions to OTARMA</u>	
2005	\$7,141
2006	\$7,766
2007	\$6,447

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary 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.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Jointly Governed Organizations

Fredericktown Community Joint Emergency Ambulance District

The Fredericktown Community Joint Emergency Ambulance District, (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.71. The District consists of Berlin, Middlebury, Morris, Wayne and Pike Townships and the Village. The District Board consists of six board members which includes one representative from each Township and the Village of Fredericktown.

Fredericktown Community Fire District

The Fredericktown Community Fire District, (The District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District Board consists of six board members which includes one representative from each Township and the Village. The District includes Berlin, Middlebury, Morris (a portion of the Township), Wayne and Pike Townships and the Village of Fredericktown.

Fredericktown Joint Recreation District

Fredericktown Recreation District, (The District) is jointly governed by the Village of Fredericktown, Berlin Township, Middlebury Township, Morris Township, Pike Township, and Wayne Township. Each Township appoints one board member of the Board and the Village of Fredericktown appoints two, for a total of seven board members.



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
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

To the Township Board of Trustees:

We have audited the financial statements of the Wayne Township, Knox County, Ohio, (the Township) as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated August 1, 2008, wherein we noted the Township changed their financial presentation for the year ended December 31, 2006 and prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because of Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and the Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weakness. However, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated August 1, 2008.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002 and 2007-003.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 1, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 1, 2008

**WAYNE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Financial Statement Presentation – Significant Deficiency/Material Weakness

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Township's accounting system. In addition to the adjustment noted in Finding Number 2007-002, the following posting errors were noted:

- Taxes received from the Knox County Auditor were posted at net instead of gross (\$1,321 in the General Fund and \$227 in the Road and Bridge Fund in 2006; \$1,061 in the General Fund and \$1,682 in the Special Revenue Funds in 2007).
- A sale of an asset was receipted to taxes in the General Fund in 2006 for \$2,500.
- Tax receipts due the Road and Bridge Fund in 2006 were posted to the Special Levy Fund in the amount of \$181.
- Intergovernmental receipts were posted to taxes in error (\$437 in the General Fund in 2006 and \$2,416 in the General Fund in 2007).
- Earnings on investment receipts were posted to intergovernmental receipts in error in 2007 (\$1,682 in the General Fund, \$763 in the Motor Vehicle License Tax Fund, \$2,768 in the Gasoline Tax Fund and \$596 in the Permissive Motor Vehicle License Tax Fund).

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively manage and budget for the Township's activities.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Township implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The Township's financial statements and accounting records have been adjusted to accurately reflect the proper line item classifications and fund postings.

Officials' Response:

The Fiscal Officer will take precautions to post receipts and disbursements more accurately.

WAYNE TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

(Continued)

FINDING NUMBER 2007-002

Noncompliance Citation/Significant Deficiency/Material Weakness - Interest Allocation

Ohio Revised Code Section 5705.131 allows a taxing authority to establish a permanent fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. Further, the statute provides that interest earned on principal of such a fund must be credited to the permanent fund to which the principal belongs.

The Township Fiscal Officer posted \$25 of interest earned on the principal of the Permanent Fund to the General Fund in 2006 and \$16 in 2007.

An adjustment to correct this error was posted by the Fiscal Officer to the accounting system, and is reflected in the financial statements.

Officials' Response:

The Fiscal Officer will post interest to the Permanent Fund in the future.

FINDING NUMBER 2007-003

Noncompliance Citation – Posting of Receipts and Disbursements

Ohio Rev. Code § 5705.10 states in part, that all revenue derived 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.

As noted in Finding Number 2007-001, the Township Fiscal Officer misposted tax receipts due the Road and Bridge Fund to the Special Levy Fund in the amount of \$181 in 2006.

These errors lead to inaccurate financial records and the inaccurate reporting of the financial activity of each of the respective funds.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers in accordance with the above Ohio Revised Code section. By exercising the accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

Official's Response:

The Fiscal Officer will take precautions to post receipts to the correct funds in the future.

**WAYNE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-01	Reportable Condition-Ledger Posting	No	Repeated in finding 2007-001
2005-02	Noncompliance Citation-Posting Errors	No	Repeated in finding 2007-001
2005-03	Noncompliance Citation-Interest Allocation	No	Repeated in finding 2007-002
2005-04	Noncompliance Citation-Township Insurance	No	Management Letter



Mary Taylor, CPA
Auditor of State

WAYNE TOWNSHIP

KNOX 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
OCTOBER 2, 2008