



Mary Taylor, CPA  
Auditor of State



**WAYNE TOWNSHIP  
NOBLE COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township  
Noble County  
56209 Wilson Road  
Quaker City, Ohio 43773

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township, Noble County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle License Tax, Gasoline Tax and Miscellaneous Special Revenue Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

May 30, 2007

Wayne Township  
Noble County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
Unaudited

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This discussion and analysis of the Wayne Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$19,392, or 18 percent. Both the General Fund and Gasoline Tax Fund realized decreases with the most significant decrease being \$5,000 in the Gasoline Tax Fund.

The Township's general receipts are primarily property tax and intergovernmental revenues. General receipts represent respectively \$28,731 and 23 percent of the total cash received for governmental activities during the year.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$16,213, or 17 percent. The fund realizing the greatest increase was the Gasoline Tax Fund with an increase of \$19,136.

The Township's general receipts are primarily property tax and intergovernmental revenues. General receipts represent respectively \$26,209 and 16 percent of the total cash received for governmental activities during the year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Wayne Township  
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. The Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Miscellaneous Special Revenue Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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Noble County  
Management's Discussion and Analysis  
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Unaudited

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**The Government as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

**Net Assets**

	Governmental Activities		
	2006	2005	2004
<b>Assets</b>			
Cash and Cash Equivalents	\$ 91,160	\$ 110,552	\$94,339
Total Assets	\$ 91,160	\$ 110,552	\$94,339
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$ 64,217	\$ 83,350	\$ 63,621
Unrestricted	26,943	27,202	30,718
Total Net Assets	\$ 91,160	\$ 110,552	\$94,339

As mentioned previously, net assets of governmental activities decreased \$19,392 or 18 percent during 2006. The primary reasons contributing to the decrease was the receipt of FEMA funds in 2005.

Net assets of governmental activities increased \$16,213, or 17 percent during 2005. The primary reason contributing to the increase was the receipt of FEMA funds in 2005.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

Wayne Township  
Noble County  
Management's Discussion and Analysis  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,191	\$ 861
Operating Grants and Contributions	96,069	129,044
Capital Grants and Contributions	98	6,390
Total Program Receipts	97,358	136,295
General Receipts:		
Property Taxes Levied for:		
General Purposes	21,431	18,952
Other Purposes	343	286
Grants and Entitlements Not Restricted to Specific Programs	6,120	6,217
Interest	551	484
Miscellaneous	286	270
Total General Receipts	28,731	26,209
Total Receipts	126,089	162,504
Disbursements:		
General Government	32,422	23,639
Public Safety	800	900
Public Works	108,284	68,760
Health	3,975	3,802
Capital Outlay		37,940
Debt Service:		
Principal Retirement		11,250
Total Disbursements	145,481	146,291
Increase (Decrease) in Net Assets	(19,392)	16,213
Net Assets, January 1	110,552	94,339
Net Assets, December 31	\$ 91,160	\$ 110,552

In 2006, program receipts represent 77 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2005, program receipts represent 84 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money and FEMA money.

In 2006, general receipts represent 23 percent of the Township's total receipts, and of the total general receipts, over 21 percent are grants and entitlements. Property taxes make up the majority of the balance of the Township's general receipts (76 percent). Miscellaneous receipts are insignificant and somewhat unpredictable revenue sources.

In 2005, general receipts represent 16 percent of the Township's total receipts, and of the total general receipts, over 24 percent are grants and entitlements. Property Taxes make up the majority of the balance of the Township's general receipts (73 percent). Miscellaneous receipts are insignificant and somewhat unpredictable revenue sources.

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Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include, but are not limited to, the costs of trustee and clerk salaries, insurances, retirement, and utilities.

Public Safety is the cost of fire protection; Public Works is the general maintenance as well as repair of roads; Health is for health services; Capital Outlay is the cost of equipment purchased by the Township and Debt Service is the payment of the debt of the Township.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 16, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government and Public Works, which account for 22 and 74 percent of all governmental disbursements, respectively for 2006. The major program disbursements for governmental activities are for General Government and Public Works, which account for 16 and 47 percent of all governmental disbursements, respectively for 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$32,422	\$29,539	\$23,639	(\$27,577)
Public Safety	800	718	900	900
Public Works	108,284	15,000	68,760	(15,458)
Health	3,975	3,375	3,802	3,502
Other		(509)		(561)
Capital Outlay			37,940	37,940
Principal Retirement			11,250	11,250
Interest and Fiscal Charges				
<b>Total Expenses</b>	<b>\$145,481</b>	<b>\$48,123</b>	<b>\$146,291</b>	<b>\$9,996</b>

The dependence upon property tax and grants and entitlement receipts is apparent as over 33 percent of governmental activities are supported through these general receipts in 2006 and over 7 percent of governmental activities are supported through these general receipts in 2005.

Wayne Township  
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For the Years Ended December 31, 2006 and 2005  
Unaudited

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**The Government's Funds**

For 2006 total governmental funds had receipts of \$126,089 and disbursements of \$145,481, resulting in deficit spending.

For 2005 total governmental funds had receipts of \$162,504 and disbursements of \$146,291 due in part to FEMA receipts received in 2005 for 2004 disasters.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2006 and 2005, actual receipts were slightly above final budgeted receipts in the General Fund due to conservative budgeting.

During 2006 final disbursements in the General Fund were budgeted at \$54,106 while actual disbursements were \$32,014 and in 2005, final disbursements in the General Fund were budgeted at \$57,318 while actual disbursements were \$37,367. Although receipts were slightly above budgeted amount in 2006 and 2005, disbursements were greater than receipts in both years, resulting in deficit spending for each year.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. We have refrained from spending whenever possible.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Stacy Moore, Township Clerk, Wayne Township, 56209 Wilson Road, Quaker City, Ohio 43773.

Wayne Township  
Noble County

Statement of Net Assets - Cash Basis  
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 91,160</u>
<i>Total Assets</i>	<u><u>\$ 91,160</u></u>
<b>Net Assets:</b>	
Restricted for:	
Other Purposes	\$ 64,217
Unrestricted	<u>26,943</u>
<i>Total Net Assets</i>	<u><u>\$ 91,160</u></u>

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

Wayne Township  
Noble County

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$ 32,422	\$	\$ 2,785	\$ 98	\$ (29,539)
Public Safety	800	82			(718)
Public Works	108,284		93,284		(15,000)
Health	3,975	600			(3,375)
Other		509			509
<i>Total Governmental Activities</i>	<u>\$ 145,481</u>	<u>\$ 1,191</u>	<u>\$ 96,069</u>	<u>\$ 98</u>	<u>(48,123)</u>
		<b>General Receipts:</b>			
		Property Taxes Levied for:			
		General Purposes			21,431
		Other Purposes			343
		Grants and Entitlements not Restricted to Specific Programs			6,120
		Interest			551
		Miscellaneous			286
		<i>Total General Receipts</i>			<u>28,731</u>
		<i>Change in Net Assets</i>			(19,392)
		Net Assets Beginning of Year			<u>110,552</u>
		<b>Net Assets End of Year</b>			<u><b>\$ 91,160</b></u>

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

Wayne Township  
Noble County

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

	<b>General</b>	<b>Gasoline Tax</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 26,943	\$ 50,725	\$ 13,492	\$ 91,160
<i>Total Assets</i>	\$ 26,943	\$ 50,725	\$ 13,492	\$ 91,160
<b>Fund Balances:</b>				
Reserved:				
Reserved for Encumbrances	\$ 286	\$2,750	\$	\$ 3,036
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	26,657			26,657
Special Revenue Funds		47,975	13,492	61,467
<i>Total Fund Balances</i>	\$ 26,943	\$ 50,725	\$ 13,492	\$ 91,160

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

Wayne Township  
Noble County

Statement of Cash Receipts, Disbursements and Changes  
In Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 21,774	\$	\$	\$ 21,774
Licenses, Permits and Fees	509		383	892
Intergovernmental	9,002	86,201	7,083	102,286
Interest	154	321	76	551
Other	30	256	300	586
<i>Total Cash Receipts</i>	<u>31,469</u>	<u>86,778</u>	<u>7,842</u>	<u>126,089</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	27,078	5,344		32,422
Public Safety	800			800
Public Works		86,434	21,850	108,284
Health	3,850		125	3,975
<i>Total Cash Disbursements</i>	<u>31,728</u>	<u>91,778</u>	<u>21,975</u>	<u>145,481</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(259)	(5,000)	(14,133)	(19,392)
Fund Balances Beginning of Year	<u>27,202</u>	<u>55,725</u>	<u>27,625</u>	<u>110,552</u>
<b>Fund Balances End of Year</b>	<b><u>\$ 26,943</u></b>	<b><u>\$ 50,725</u></b>	<b><u>\$ 13,492</u></b>	<b><u>\$ 91,160</u></b>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 18,900	\$ 18,900	\$ 21,774	\$ 2,874
Licenses, Permits and Fees	250	250	509	259
Intergovernmental	8,400	8,400	9,002	602
Interest	100	100	154	54
Other			30	30
<i>Total Receipts</i>	<u>27,650</u>	<u>27,650</u>	<u>31,469</u>	<u>3,819</u>
<b>Disbursements:</b>				
Current:				
General Government	42,106	42,106	27,364	14,742
Public Safety	1,500	1,500	800	700
Health	5,000	5,000	3,850	1,150
Capital Outlay	5,500	5,500	0	5,500
<i>Total Disbursements</i>	<u>54,106</u>	<u>54,106</u>	<u>32,014</u>	<u>22,092</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,456)	(26,456)	(545)	25,911
Fund Balance Beginning of Year	23,069	23,069	23,069	0
<i>Prior Year Encumbrances Appropriated</i>	<u>4,133</u>	<u>4,133</u>	<u>4,133</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<u><b>\$ 746</b></u>	<u><b>\$ 746</b></u>	<u><b>\$ 26,657</b></u>	<u><b>\$ 25,911</b></u>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$ 78,000	\$ 78,000	\$ 86,201	\$ 8,201
Interest	200	200	321	121
Other	150	150	256	106
<i>Total Receipts</i>	<u>78,350</u>	<u>78,350</u>	<u>86,778</u>	<u>8,428</u>
<b>Disbursements:</b>				
Current:				
General Government	5,550	5,550	5,344	206
Public Works	125,359	125,359	89,184	36,175
Debt Service:				
Principal Retirement	569	569	0	569
<i>Total Disbursements</i>	<u>131,478</u>	<u>131,478</u>	<u>94,528</u>	<u>36,950</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(53,128)	(53,128)	(7,750)	45,378
Fund Balance Beginning of Year	52,039	52,039	52,039	0
Prior Year Encumbrances Appropriated	<u>3,686</u>	<u>3,686</u>	<u>3,686</u>	<u>0</u>
<b><i>Fund Balance End of Year</i></b>	<b><u>\$ 2,597</u></b>	<b><u>\$ 2,597</u></b>	<b><u>\$ 47,975</u></b>	<b><u>\$ 45,378</u></b>

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

Wayne Township  
Noble County

Statement of Net Assets - Cash Basis  
For the Year Ended December 31, 2005

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 110,552</u>
<i>Total Assets</i>	<u><u>\$ 110,552</u></u>
<b>Net Assets:</b>	
Restricted for:	
Other Purposes	\$ 83,350
Unrestricted	<u>27,202</u>
<i>Total Net Assets</i>	<u><u>\$ 110,552</u></u>

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

Wayne Township  
Noble County

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
General Government	\$ 23,639	\$	\$ 44,826	\$ 6,390	\$ 27,577
Public Safety	900				(900)
Public Works	68,760		84,218		15,458
Health	3,802	300			(3,502)
Other		561			561
Capital Outlay	37,940				(37,940)
Debt Service:					
Principal Retirement	11,250				(11,250)
<i>Total Governmental Activities</i>	<u>\$ 146,291</u>	<u>\$ 861</u>	<u>\$ 129,044</u>	<u>\$ 6,390</u>	<u>(9,996)</u>
		<b>General Receipts:</b>			
		Property Taxes Levied for:			
		General Purposes			18,952
		Other Purposes			286
		Grants and Entitlements not Restricted to Specific Programs			6,217
		Interest			484
		Miscellaneous			270
		<i>Total General Receipts</i>			<u>26,209</u>
		<i>Change in Net Assets</i>			16,213
		Net Assets Beginning of Year			<u>94,339</u>
		<b>Net Assets End of Year</b>			<b><u>\$ 110,552</u></b>

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

Wayne Township  
Noble County

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	<u>General</u>	<u>Motor Vehicle License</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 27,202	\$ 15,387	\$ 55,725	\$ 12,238	\$ 110,552
<i>Total Assets</i>	<u>\$ 27,202</u>	<u>\$ 15,387</u>	<u>\$ 55,725</u>	<u>\$ 12,238</u>	<u>\$ 110,552</u>
<b>Fund Balances:</b>					
Reserved:					
Reserved for Encumbrances	\$ 4,133	\$	\$ 3,686	\$	\$ 7,819
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	23,069				23,069
Special Revenue Funds		15,387	52,039	12,238	79,664
<i>Total Fund Balances</i>	<u>\$ 27,202</u>	<u>\$ 15,387</u>	<u>\$ 55,725</u>	<u>\$ 12,238</u>	<u>\$ 110,552</u>

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

Wayne Township  
Noble County

Statement of Cash Receipts, Disbursements and Changes  
In Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	General	Motor Vehicle License Tax	Gasoline Tax	Misc. Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$ 19,238					\$ 19,238
Licenses, Permits and Fees	561				300	861
Intergovernmental	8,647	5,982	82,873	36,707	7,443	141,652
Interest	172	75		237		484
Other	16			253		269
<i>Total Cash Receipts</i>	<u>28,634</u>	<u>6,057</u>	<u>83,363</u>	<u>36,707</u>	<u>7,743</u>	<u>162,504</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	19,684		3,955			23,639
Public Safety	900					900
Public Works		4,319	62,096		2,345	68,760
Health	3,650				152	3,802
Capital Outlay				31,549	6,391	37,940
Debt Service:						
Principal Retirement	9,000		2,250			11,250
<i>Total Cash Disbursements</i>	<u>33,234</u>	<u>4,319</u>	<u>68,301</u>	<u>31,549</u>	<u>8,888</u>	<u>146,291</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(4,600)</u>	<u>1,738</u>	<u>15,062</u>	<u>5,158</u>	<u>(1,145)</u>	<u>16,213</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	1,084		4,074			5,158
Transfers Out				(5,158)		(5,158)
<i>Total Other Financing Sources (Uses)</i>	<u>1,084</u>	<u>0</u>	<u>4,074</u>	<u>(5,158)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(3,516)	1,738	19,136	0	(1,145)	16,213
Fund Balances Beginning of Year	30,718	13,649	36,589	0	13,383	94,339
<b>Fund Balances End of Year</b>	<u>\$ 27,202</u>	<u>\$ 15,387</u>	<u>\$ 55,725</u>	<u>\$ 0</u>	<u>\$ 12,238</u>	<u>\$ 110,552</u>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 18,240	\$ 18,240	\$ 19,238	\$ 998
Licenses, Permits and Fees	250	250	561	311
Intergovernmental	7,800	7,800	8,647	847
Interest	100	100	172	72
Other	210	210	16	(194)
<i>Total Receipts</i>	<u>26,600</u>	<u>26,600</u>	<u>28,634</u>	<u>2,034</u>
<b>Disbursements:</b>				
Current:				
General Government	41,018	41,018	23,817	17,201
Public Safety	1,300	1,300	900	400
Health	4,000	4,000	3,650	350
Capital Outlay	2,000	2,000	0	2,000
Debt Service:				
Principal Retirement	9,000	9,000	9,000	0
<i>Total Disbursements</i>	<u>57,318</u>	<u>57,318</u>	<u>37,367</u>	<u>19,951</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(30,718)	(30,718)	(8,733)	21,985
<b>Other Financing Sources (Uses):</b>				
Transfers In		1,084	1,084	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,084</u>	<u>1,084</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(30,718)	(29,634)	(7,649)	21,985
Fund Balance Beginning of Year	<u>30,718</u>	<u>30,718</u>	<u>30,718</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<u><b>\$ 0</b></u>	<u><b>\$ 1,084</b></u>	<u><b>\$ 23,069</b></u>	<u><b>\$ 21,985</b></u>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Motor Vehicle License Tax Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$ 6,010	\$ 6,010	\$ 5,982	\$ (28)
Interest	100	100	75	(25)
<i>Total Receipts</i>	<u>6,110</u>	<u>6,110</u>	<u>6,057</u>	<u>(53)</u>
<b>Disbursements:</b>				
Current:				
Public Works	19,759	19,759	4,319	15,440
<i>Total Disbursements</i>	<u>19,759</u>	<u>19,759</u>	<u>4,319</u>	<u>15,440</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(13,649)	(13,649)	1,738	15,387
Fund Balance Beginning of Year	<u>13,649</u>	<u>13,649</u>	<u>13,649</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 15,387</u></u>	<u><u>\$ 15,387</u></u>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$ 65,190	\$ 65,190	\$ 82,873	\$ 17,683
Interest	250	250	237	(13)
Other			253	253
<i>Total Receipts</i>	<u>65,440</u>	<u>65,440</u>	<u>83,363</u>	<u>17,923</u>
<b>Disbursements:</b>				
Current:				
General Government	3,000	4,250	3,955	295
Public Works	99,274	95,374	65,782	29,592
Debt Service:				
Principal Retirement	2,250	2,250	2,250	0
<i>Total Disbursements</i>	<u>104,524</u>	<u>101,874</u>	<u>71,987</u>	<u>29,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(39,084)	(36,434)	11,376	47,810
<b>Other Financing Sources (Uses)</b>				
Transfers In		4,074	4,074	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>4,074</u>	<u>4,074</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(39,084)	(32,360)	15,450	47,810
Fund Balance Beginning of Year	33,939	33,939	33,939	0
Prior Year Encumbrances Appropriated	2,650	2,650	2,650	0
<b>Fund Balance End of Year</b>	<u><b>\$ (2,495)</b></u>	<u><b>\$ 4,229</b></u>	<u><b>\$ 52,039</b></u>	<u><b>\$ 47,810</b></u>

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

Wayne Township  
Noble County

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Miscellaneous Special Revenue Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$ 0	\$ 36,707	\$ 36,707	\$ 0
<i>Total Receipts</i>	<u>0</u>	<u>36,707</u>	<u>36,707</u>	<u>0</u>
<b>Disbursements:</b>				
Capital Outlay		31,549	31,549	0
<i>Total Disbursements</i>	<u>0</u>	<u>31,549</u>	<u>31,549</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	5,158	5,158	0
<b>Other Financing Sources (Uses):</b>				
Transfers Out		(5,158)	(5,158)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(5,158)</u>	<u>(5,158)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>

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

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 1 – Reporting Entity**

Wayne Township, Noble County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Senecaville and Quaker City Volunteer Fire Department for fire protection. Police protection is provided by the Noble County Sheriff Department.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

Fund Financial Statements

each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax, Gasoline Tax, and Miscellaneous Special Revenue Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The Township had the following major funds in addition to the General Fund as mentioned above.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Gasoline Tax Fund – This fund receives gasoline tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Miscellaneous Special Revenue Fund – This fund receives money for FEMA disasters. Funds are restricted for the purpose of disaster relief as specified by FEMA.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**Note 2 – Summary of Significant Accounting Policies** (Continued)

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash**

To improve cash management, cash received by the Township is pooled. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$154 which includes \$38 assigned from other Township funds. Interest receipts credited to the General Fund during 2005 was \$172 which includes \$69 assigned from other Township funds.

**F. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Note 2 – Summary of Significant Accounting Policies** (Continued)

**I. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, fire protection, and cemetery maintenance. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**L. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

In the prior audit the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For this audit the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Motor Vehicle License Tax, Gasoline Tax and Miscellaneous Special Revenue Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2006 (budgetary basis) amounted to \$286 for the General Fund and \$2,750 for the Gasoline Tax Fund. The encumbrances outstanding at December 31, 2005 (budgetary basis) amounted to \$4,133 for the General Fund and \$3,686 for the Gasoline Tax Fund.

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 5 – Deposits and Investments** (Continued)

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential / Agricultural	\$8,836,160
Other	108,290
Tangible Personal Property	
Personal Property	7,400
Public Utility	574,570
Total Assessed Value	\$9,526,420

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 – Property Taxes** (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential / Agricultural	\$10,161,570
Other	129,120
Tangible Personal Property	
Personal Property	14,520
Public Utility	564,220
Total Assessed Value	<u>\$10,869,430</u>

**Note 7 – Risk Management**

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.

**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, including loss adjustment expenses. 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 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**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 values. 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 2006 was \$1,901,127.

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Risk Management** (Continued)

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$5,000. 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>Township Contributions to OTARMA</b>	
2006	\$2,952
2005	\$2,941
2004	\$2,532

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Risk Management** (Continued)

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

**Note 8 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$7,363, and \$6,824, respectively. The full amount has been contributed for 2006 and 2005.

**Note 9 - Postemployment Benefits**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other **Note**

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**9 - Postemployment Benefits** (Continued)

**Ohio Public Employees Retirement System** (Continued)

Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,418 in 2006 and \$2,014 in 2005. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**Note 11 – Interfund Transfers**

During 2005 the following transfers were made:

Transfers from the Miscellaneous Special Revenue Fund to:	
	General Fund \$1,084
	Gasoline Tax Fund <u>4,074</u>
Total Transfers from the Miscellaneous Special Revenue Fund	<u><u>\$5,158</u></u>

Wayne Township  
Noble County  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 11 – Interfund Transfers (Continued)**

These transfers represent the allocation of FEMA receipts collected in the Miscellaneous Special Revenue Fund to reimburse the General and Gasoline Tax funds for FEMA expenditures made prior to receipt of FEMA funds.

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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  
Noble County  
56209 Wilson Road  
Quaker City, Ohio 43773

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 30, 2007, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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 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 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated May 30, 2007.

#### **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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 30, 2007.

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

May 30, 2007

WAYNE TOWNSHIP  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Finding for Recovery Repaid Under Audit**

Ohio Rev. Code Section 505.60(A) provides, in part, that Townships may pay a township officer or employee for all or any part of the cost of insurance policies, including long-term care insurance. According to Ohio Rev. Code Section 505.60(C), reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Rev. Code Section 505.60(B), or who elects not to participate in the township's plan. The reimbursement cannot exceed an amount equal to the average premium paid by the township under the policies it procures.

Ohio Rev. Code Section 505.601 provides that a township that does not procure health care benefits for its officers and employees is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs. However, the township must meet the following three conditions:

1. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee,
3. The resolution states the specific benefits, pursuant to Ohio Rev. Code Section 505.60(A), that will be reimbursed.

During 2006, Trustee William West was provided with hospital indemnity, cancer plan and disability income insurance procured by the Township through Teachers Protective Mutual Life Insurance Company. Mr. West was also reimbursed for his out-of-pocket premiums for comprehensive accident supplement insurance through UnionSecure. This resulted in Mr. West being provided with insurance procured by the Township and being reimbursed for out-of-pocket premiums for duplicate coverage in the amount of \$223.

On June 9, 2007, William West issued a check to Wayne Township for \$223 as repayment. We will consider this a finding for recovery repaid under audit.

**Officials' Response:** We did not receive a response from Officials to the finding reported above.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

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>
2004-WTNC-01	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations at December 31, 2003 and December 31, 2004 in the Miscellaneous Special Revenue Fund	Yes	Corrected



**Mary Taylor, CPA**  
Auditor of State

**WAYNE TOWNSHIP**

**NOBLE 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  
AUGUST 2, 2007**