



Mary Taylor, CPA
Auditor of State

ZANE TOWNSHIP
LOGAN COUNTY

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Mary Taylor, CPA
Auditor of State

Zane Township
Logan County
PO Box J
Middleburg, Ohio 43336

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 government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Zane Township
Logan County
PO Box J
Middleburg, Ohio 43336

To the Board of Trustees:

We have audited the accompanying financial statements of Zane Township, Logan County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, 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 Zane Township, Logan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 1, 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.

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

Mary Taylor, CPA
Auditor of State

October 1, 2007

**ZANE TOWNSHIP
LOGAN 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>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$66,830	\$155,117			\$221,947
Licenses, Permits, and Fees	7,505	1,800			9,305
Intergovernmental	43,216	113,134	\$47,060		203,410
Earnings on Investments	11,440	2,295		\$722	14,457
Miscellaneous	557	3,836			4,393
Total Cash Receipts	<u>129,548</u>	<u>276,182</u>	<u>47,060</u>	<u>722</u>	<u>453,512</u>
Cash Disbursements:					
Current:					
General Government	74,288				74,288
Public Safety		89,946			89,946
Public Works	2,118	70,034	47,060		119,212
Health		24,793		100	24,893
Conservation - Recreation	2,821				2,821
Capital Outlay	471	3,630			4,101
Total Cash Disbursements	<u>79,698</u>	<u>188,403</u>	<u>47,060</u>	<u>100</u>	<u>315,261</u>
Total Receipts Over/(Under) Disbursements	<u>49,850</u>	<u>87,779</u>		<u>622</u>	<u>138,251</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets		12,501			12,501
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	49,850	100,280		622	150,752
Fund Cash Balances, January 1	<u>176,512</u>	<u>136,206</u>		<u>15,687</u>	<u>328,405</u>
Fund Cash Balances, December 31	<u><u>\$226,362</u></u>	<u><u>\$236,486</u></u>	<u><u>\$0</u></u>	<u><u>\$16,309</u></u>	<u><u>\$479,157</u></u>

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

**ZANE TOWNSHIP
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$65,301	\$32,650			\$97,951
Charges for Services		6,300			6,300
Licenses, Permits, and Fees	1,406	2,850			4,256
Intergovernmental	19,994	99,577	\$18,819		138,390
Earnings on Investments	9,610	1,481		\$462	11,553
Miscellaneous	818	4,136			4,954
Total Cash Receipts	<u>97,129</u>	<u>146,994</u>	<u>18,819</u>	<u>462</u>	<u>263,404</u>
Cash Disbursements:					
Current:					
General Government	77,501				77,501
Public Safety	59,000	21,005			80,005
Public Works	47,186	67,124	18,819		133,129
Health		23,117		75	23,192
Conservation - Recreation	932				932
Capital Outlay	16,408	77,267			93,675
Total Cash Disbursements	<u>201,027</u>	<u>188,513</u>	<u>18,819</u>	<u>75</u>	<u>408,434</u>
Total Receipts Over/(Under) Disbursements	<u>(103,898)</u>	<u>(41,519)</u>		<u>387</u>	<u>(145,030)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		12,957			12,957
Transfers-Out		(12,957)			(12,957)
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(103,898)	(41,519)		387	(145,030)
Fund Cash Balances, January 1	<u>280,410</u>	<u>177,725</u>		<u>15,300</u>	<u>473,435</u>
Fund Cash Balances, December 31	<u>\$176,512</u>	<u>\$136,206</u>	<u>\$0</u>	<u>\$15,687</u>	<u>\$328,405</u>

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

**ZANE TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Zane Township, Logan 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. The Township contracts with Allen Township to provide fire and ambulance services.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Township maintains a checking account and certificates of deposit. The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits 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:

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

Fire/EMS Special Levy Fund – This fund receives property tax money to pay for fire and emergency medical services.

Cemetery Fund – This fund receives property tax money to pay for cemetery maintenance.

**ZANE TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II and Sales Tax Fund - The fund accounts for Issue II and sales tax revenue from the County for constructing, maintaining and repairing Township roads.

4. 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.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2006 and 2005 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.

**ZANE TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

The Township maintains a cash 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	2005
Demand deposits	\$302,280	\$155,641
Certificates of deposit	176,877	172,764
Total deposits	\$479,157	\$328,405

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,500	\$129,548	\$33,048
Special Revenue	250,650	288,683	38,033
Capital Projects	52,064	47,060	(5,004)
Permanent	400	722	322
Total	\$399,614	\$466,013	\$66,399

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,508	\$79,698	\$192,810
Special Revenue	386,387	188,403	197,984
Capital Projects	52,064	47,060	5,004
Permanent	16,087	100	15,987
Total	\$727,046	\$315,261	\$411,785

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,790	\$97,129	\$16,339
Special Revenue	107,105	159,951	52,846
Capital Projects	27,040	18,819	(8,221)
Permanent	285	462	177
Total	\$215,220	\$276,361	\$61,141

**ZANE TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$360,700	\$201,027	\$159,673
Special Revenue	282,330	201,470	80,860
Capital Projects	27,040	18,819	8,221
Permanent	15,585	75	15,510
Total	\$685,655	\$421,391	\$264,264

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.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

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's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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

Zane Township
Logan County
PO Box J
Middleburg, Ohio 43336

To the Board of Trustees:

We have audited the financial statements of Zane Township (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 1, 2007 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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.

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.

**Internal Control over Financial Reporting
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-007.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 through 2006-003 and 2006-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 1, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2006-001 through 2006-005.

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 October 1, 2007.

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



Mary Taylor, CPA
Auditor of State

October 1, 2007

**ZANE TOWNSHIP
LOGAN COUNTY**

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

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

FINDING NUMBER 2006-001

Material Noncompliance - Material Weakness

The Emergency Medical Service Contract between Zane Township and Midwest Express, Inc., dated September 9, 2007, states Zane Township will furnish emergency medical service to Midwest Express, and in return Midwest Express will pay Zane Township a flat fee of \$300 per run. During fiscal years 2005 and 2006, the Fiscal Officer failed to bill Midwest Express for \$21,300 (71 runs * \$300) in runs during this period.

On October 5, 2007, this revenue was paid to the Township with check # 62399. The Township should implement procedures and controls to help provide all billable emergency medical service runs are billed by the Fiscal Officer in a timely manner. Failure to timely bill and collect money due to the Township can result in insufficient resources and possible findings for recovery.

FINDING NUMBER 2006-002

Material Noncompliance - Material Weakness

Ohio Rev. Code Section 5705.09 requires a special fund be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. In 2005, the Township did not establish the Special Revenue Fund for the Federal Emergency Management Agency (FEMA) grant.

Although the Township has established the Capital Projects Fund for the Logan County Commissioners sales tax and Issue II money, the "memo" revenues and expenditures for this fund were not recorded on the Township's financial statements. Additionally, the Township improperly recorded the FEMA grant reimbursements to the Gasoline Tax fund.

The failure to establish the required funds and record the related activity understates the financial statements and weakens the accountability over money spent by other entities for Township projects.

The Township should implement procedures to help provide that all required funds are established and that the related revenue and expenditures are recorded properly on the financial statements. Furthermore, the related estimated revenues should be certified to the County Auditor and the Trustees should appropriate the money to be spent.

FINDING NUMBER 2006-003

Material Noncompliance - Material Weakness

Ohio Rev. Code Section 5575.01 and 5575.02 provide that in the maintenance and repair of roads, the board of township trustees may proceed either by contract or force account. Except as otherwise provided in sections 505.08 and 505.101 of the Revised Code, when the board proceeds by contract, the contract shall, if the amount involved exceeds forty-five thousand dollars, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

The Township expended \$74,477 in 2005 for road work projects. The Township received and approved estimates from the company, but did not competitively bid the projects with the use of advertisements and sealed bids. Failure to competitively bid contracts can result in excessive expenditures for necessary work.

To improve compliance and provide the Township receives the best cost, the Trustees should follow competitive bidding rules and award contracts to the lowest, best bidder for the Township's projects.

FINDING NUMBER 2006-004

Material Non-Compliance - Significant Deficiency

Ohio Rev. Code, Section 5705.10 requires 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 is to be paid into a special fund for such purpose. The Township posted revenues to the incorrect funds as follows:

- Auto registration fees in the General Fund rather than Motor Vehicle License Fund
- Commercial activity tax reimbursement in the General Fund rather than split between the General, Cemetery and Fire Levy Funds
- General local government assistance funds in the Motor Vehicle License Fund

These fund revenue errors resulted in audit adjustments to properly present the financial statements and fund cash balances.

To improve accountability and financial reporting, the Fiscal Officer should take measures to help prevent incorrect revenue postings between funds. The Fiscal Officer could also request a vendor report from the County Auditor to provide that all payments were received and recorded properly. These procedures will decrease the chances for future audit adjustments in addition to reporting accurate fund cash balances.

FINDING NUMBER 2006-005

Material Non-Compliance - Significant Deficiency

Ohio Rev. Code Section 145.47 requires each public employee who is a contributor to the public employees retirement system shall contribute a percent of the contributor's earnable salary to the employees' savings fund.

The fiscal officer of each local authority subject to this chapter, shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable per cent of the contributor's earnable salary. The fiscal officer shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with checks covering the total of such deductions.

A penalty of five per cent of the total amount due for the particular reporting period shall be added when such report, together with checks to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. Such penalty shall be added to and collected on the next succeeding regular employer billing. Interest at a rate set by the retirement board shall be charged on the amount of the penalty in case such penalty is not paid within three months after it is added to the regular employer billing. The system, after making a record of all such receipts, shall deposit them with the treasurer of state for use as provided by this chapter.

The Township failed to submit the required reports and payments by the thirty-day deadline numerous times during the audit period. As a result, the Township incurred penalties assessed by the Public Employees Retirement System. The Fiscal Officer should complete the required forms and send payments within the prescribed time limit to decrease penalties assessed and help prevent interest charges in case of unusually late filings. By completing these procedures, the Township will decrease penalties and thus improve fund balances.

FINDING NUMBER 2006-006

Material Weakness

Classification of Revenues

The Township received tax and intergovernmental revenues from the County Auditor and/or Auditor of State. In 2005 and 2006, we noted the following revenue classification errors:

- Exempt personal property revenue classified as taxes rather than intergovernmental
- Estate revenue booked net of deductions
- FEMA reimbursement placed in the incorrect fund and revenue account
- License registration fees posted as general revenues
- Local government assistance funds posted as motor vehicle revenue
- Revenues classified as miscellaneous
 - Commercial activity tax reimbursement (intergovernmental)
 - Refunds of current year expenditures (reduction of expenditures)
 - Truck sale proceeds (sale of fixed assets)
 - Logan County Commissioner ambulance reimbursement (intergovernmental)
 - Midwest Express, Inc. fees (charges for services)

**FINDING NUMBER 2006-006
(Continued)**

These errors resulted in audit adjustments to properly present the financial statements and fund cash balances.

The Fiscal Officer should review the UAN manual and determine the proper revenue classification codes based on the type of revenue received and properly classify the revenues received from various sources. The Fiscal Officer should also take measures to provide revenues are posted at gross as well as to the proper funds. The proper classification of revenues is essential for the annual financial reports to accurately reflect the revenues of the Township.

FINDING NUMBER 2006-007

Significant Deficiency

Interest

The November 2005 quarterly interest for the General Fund and Cemetery certificates of deposit was not credited to the Township's accounting records. This resulted in understated interest income in 2005 and fund cash balances in 2005 and 2006. The financial statements were adjusted to reflect the actual interest income and fund cash balances. The Township should initiate policies and procedures that will provide for the periodic recording of all interest earned on certificates of deposit. These procedures should include posting interest earned when quarterly statements are received and reviewing year end balances provided by the bank. These procedures will enhance financial reporting and help prevent the understatement of revenues and fund cash balances.

Official's Response:

We did not receive a response from Officials to the findings reported above.

ZANE TOWNSHIP
LOGAN 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; <i>Explain</i>
2004-001	Untimely billings for EMS contract with Midwest Express, Inc.	No	Not Corrected Repeated as Finding 2006-001



Mary Taylor, CPA
Auditor of State

ZANE TOWNSHIP

LOGAN 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
NOVEMBER 8, 2007