

***WAYNE TOWNSHIP***

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2005 and 2004**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Wayne Township  
7859 North Geyers Chapel Road  
Wooster, Ohio 44691-9642

We have reviewed the *Report of Independent Accountants* of Wayne Township, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 31, 2006

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**WAYNE TOWNSHIP**  
**WAYNE COUNTY, OHIO**

**Audit Report**  
**For the Years ended December 31, 2005 and 2004**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Trustees  
Wayne Township, Wayne County

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the year then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2006, 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, 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 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.

***Charles E. Harris & Associates, Inc.***  
April 21, 2006

**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO  
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>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 84,158	\$ 167,260	\$ 251,418
Estate taxes	333,299	-	333,299
Intergovernmental Receipts	65,054	108,202	173,256
Earnings on Investments	3,082	408	3,490
Miscellaneous	2,814	3,975	6,789
<b>Total Cash Receipts</b>	<b>488,407</b>	<b>279,845</b>	<b>768,252</b>
<b>Cash Disbursements:</b>			
General Government	120,161	-	120,161
Public Works	11,493	254,260	265,753
Health	24,426	-	24,426
Other	116,139	49,928	166,067
<b>Total Cash Disbursements</b>	<b>272,219</b>	<b>304,188</b>	<b>576,407</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>216,188</b>	<b>(24,343)</b>	<b>191,845</b>
<b>Fund Balance, January 1, 2005</b>	<b>297,336</b>	<b>231,398</b>	<b>528,734</b>
<b>Fund Balance, December 31, 2005</b>	<b>\$ 513,524</b>	<b>\$ 207,055</b>	<b>\$ 720,579</b>

See accompanying Notes to the Financial Statements.



**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 83,118	\$ 164,640	\$ 247,758
Estate taxes	193,322	-	193,322
Intergovernmental Receipts	64,873	98,821	163,694
Earnings on Investments	1,097	326	1,423
Miscellaneous	1,466	3,716	5,182
<b>Total Cash Receipts</b>	<b>343,876</b>	<b>267,503</b>	<b>611,379</b>
<b>Cash Disbursements:</b>			
General Government	125,686	-	125,686
Public Works	57,699	173,425	231,124
Health	19,456	-	19,456
Other	48,632	12,142	60,774
<b>Total Cash Disbursements</b>	<b>251,473</b>	<b>185,567</b>	<b>437,040</b>
<b>Cash Receipts Over/(Under) Cash Disbursements</b>	<b>92,403</b>	<b>81,936</b>	<b>174,339</b>
<b>Fund Balance, January 1, 2004</b>	<b>204,933</b>	<b>149,462</b>	<b>354,395</b>
<b>Fund Balance, December 31, 2004</b>	<b>\$ 297,336</b>	<b>\$ 231,398</b>	<b>\$ 528,734</b>

See accompanying Notes to the Financial Statements.

**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Wayne Township, (the Township) is a body corporate and politic 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 provides general government services, including road and bridge. The Township contracts with the Central Fire District 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. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

**C. CASH AND INVESTMENTS**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

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

**1. General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO

Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

*Gasoline Tax Fund* – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Township streets.

*Road & Bridge Fund* – This fund receives property tax money levied for the funding of the repair of the Township's roads.

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 Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 commitments are made. Encumbrances outstanding at year-end are cancelled and reappropriated in the subsequent year.

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

WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO

Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	<u>\$720,579</u>	<u>\$528,734</u>

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Township or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$407,670	\$488,407	\$80,737
Special Revenue	241,150	279,845	38,695
<b>Total</b>	<b>\$648,820</b>	<b>\$768,252</b>	<b>\$119,432</b>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$704,073	\$272,219	\$431,854
Special Revenue	469,000	304,188	164,812
<b>Total</b>	<b>\$1,173,073</b>	<b>\$576,407</b>	<b>\$596,666</b>

**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004**

<b>2004 Budgeted vs. Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$234,297	\$343,876	\$109,579
Special Revenue	237,820	267,503	29,683
<b>Total</b>	<b><u>\$472,117</u></b>	<b><u>\$611,379</u></b>	<b><u>\$139,262</u></b>

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$438,900	\$251,473	\$187,427
Special Revenue	383,500	185,567	197,933
<b>Total</b>	<b><u>\$822,400</u></b>	<b><u>\$437,040</u></b>	<b><u>\$385,360</u></b>

**4. PROPERTY TAX**

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 on the property owners, who must file a list of such property to the County by each April 30.

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

**5. RETIREMENT SYSTEM**

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries for both years. The Township has paid all contributions required through December 31, 2005 and 2004.

**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004**

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, for each member's need. The Plan pays judgments, settlements and other expenses resulting from other claims that exceed the member's deductibles.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After, September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for the self-retention (deductible) amounts that vary from member to member.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

Settled Claims have not been exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The Township also provides health insurance coverage to full-time employees through the Wayne County Employee Benefit Plan.

**7. CENTRAL FIRE DISTRICT**

In 2003, Wayne Township, Green Township and the Village of Smithville formed the Central Fire District (the District). The District is completely funded by the operating levy approved by voters within the District. A Board of Trustees consisting of three members direct the District. One Board Member is appointed by each political subdivision with the District. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden to the Township.

However, due to the current location of the District fire station in the Village of Smithville, the Township contracts with the City of Wooster for fire protection services in certain sections of the Township.

**WAYNE TOWNSHIP  
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements  
For The Years Ended December 31, 2005 and 2004**

**8. CONTRACTURAL AGREEMENT**

The Township is in the process of constructing a fire station adjacent to the Township Garage. The Township will lease the fire station to the Central Fire District for \$1 per year when completed.

As of December 31, 2005, the Township had a contractual commitment as follows:

	<u>Contractual Commitment</u>	<u>Amount Expended</u>	<u>Balance 12/31/05</u>
Ben D. Imhoff, Inc.	\$367,548	\$115,639	\$251,909

**9. CONTINGENT LIABILITIES**

The Township may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Wayne Township, Wayne County  
Wooster, OH

We have audited the financial statements of the Wayne Township, Wayne County, Ohio (Township) as of and for the years ended December 31, 2005 & 2004, and have issued our report thereon dated April 21, 2006, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 21, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



However, we noted certain immaterial instances of noncompliance that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 21, 2006.

This report is intended solely for the information and use of the management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

April 21, 2006

**STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2002 and 2003, reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**WAYNE TOWNSHIP**

**WAYNE 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  
JUNE 13, 2006**