



**Auditor of State
Betty Montgomery**

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township
Champaign County
5666 Black Road
Cable, Ohio 43009

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Wayne Township, Champaign County, (the Township), as of and for the year ended December 31, 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 remaining fund information of Wayne Township, Champaign County, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund and Road District Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 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 October 16, 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 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 16, 2006

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

This discussion and analysis of the Wayne Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified 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 2005 are as follows:

- Net assets of governmental activities increased \$76,358 or 39.5%. Wayne Township's general receipts are primarily property and road levies. In 2005 FEMA funds totaling \$35,730 were received to cover snow and ice storm clean-ups.

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 modified 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments 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 activity 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 modified 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 non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, 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, we have Governmental type of activities:

Governmental activities - Most of the Township's basic services are reported here, including fire, streets and parks. 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 Township'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 - Most 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 non-major 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 funds are the General Fund, Gasoline Tax and Road District Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$269,594	\$193,236
Total Assets	<u>269,594</u>	<u>193,236</u>
Net Assets		
Restricted for:		
Other Purposes	207,290	135,459
Unrestricted	62,304	57,777
Total Net Assets	<u>\$269,594</u>	<u>\$193,236</u>

As mentioned previously, net assets of governmental activities increased \$76,358 or 39.5 percent during 2004. The primary reason was due to increased in state and federal revenue.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$11,157
Operating Grants and Contributions	128,142
Total Program Receipts	<u>139,299</u>
General Receipts:	
Property and Other Local Taxes	189,130
Grants and Entitlements Not Restricted	
to Specific Programs	47,433
Earnings on Investments	4,737
Miscellaneous	1,340
Total General Receipts	<u>242,640</u>
Total Receipts	<u>381,939</u>

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities 2005
Disbursements:	
General Government	60,592
Public Works	210,013
Public Health Services	14,787
Principal Retirement	13,749
Interest and Fiscal Charges	6,440
Total Disbursements	305,581
Increase (Decrease) in Net Assets	76,358
Net Assets, January 1, 2005	193,236
Net Assets, December 31, 2005	\$269,594

Program receipts represent 39.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 60.3 percent of the Township's total receipts, and of this amount, 82.7 percent are local taxes. State and federal grants make up 14.7 percent of the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Fiscal Officer, auditor and treasurer fees and contract services.

Public Health Services is the County Health Department. Public Works includes the cost of maintaining the roads and providing repair and maintenance of equipment.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Governmental Activities

If you look at the Statement of Activities on page 10, 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 public works and general government, which account for 68.7 and 19.8 percent of all governmental disbursements, respectively. The next two 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 2005	Net Cost of Services 2005
General Government	\$60,592	(\$54,061)
Public Works	210,013	(69,422)
Health	14,787	(14,787)
Other Expenses		4,626
Principal Retirement	13,749	(13,749)
Interest Payment	6,440	(6,440)
Total Expenses	\$305,581	(\$153,833)

The dependence upon property tax receipts is apparent as 62 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$381,939 and disbursements of \$305,581. The reason for the \$76,358 difference is in part because the township received \$35,730 in FEMA money to cover snow and ice storm clean-ups in 2005.

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. The most significant budgeted fund is the General Fund.

During 2005, the Township did not amend its General Fund budget to reflect additional receipts.

Final disbursements were budgeted at \$123,800 while actual disbursements were \$72,993. The Township kept spending in line and the General Fund is in sound financial standing.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At December 31, 2005, the Township did not report any capital assets.

Debt

At December 31, 2005, the Township's outstanding debt included \$122,810 in general obligation notes issued to build a new township building and maintenance facility.

Current Issues

The challenge for all Townships 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.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Barbara Moore, Wayne Township Clerk, 5666 Black Road, Cable, Ohio 43009.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$269,594
Total Assets	<u>269,594</u>
Net Assets	
Restricted for:	
Other Purposes	207,290
Unrestricted	62,304
Total Net Assets	<u>\$269,594</u>

See accompanying notes to the basic financial statements.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road District</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$62,304	\$69,724	\$83,847	\$53,719	\$269,594
Total Assets	<u>62,304</u>	<u>69,724</u>	<u>83,847</u>	<u>53,719</u>	<u>269,594</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances		\$290		\$33,000	\$33,290
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	62,304				62,304
Special Revenue Funds		69,434	83,847	20,719	174,000
Total Fund Balances	<u>\$62,304</u>	<u>\$69,724</u>	<u>\$83,847</u>	<u>\$53,719</u>	<u>\$269,594</u>

See accompanying notes to the basic financial statements.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts					
Property and Other Local Taxes	\$32,271		\$118,465	\$38,394	\$189,130
Licenses, Permits and Fees	6,531			4,626	11,157
Intergovernmental	33,823	\$81,954	44,286	15,512	175,575
Earnings on Investments	4,590			147	4,737
Miscellaneous			648	387	1,035
Total Receipts	77,215	81,954	163,399	59,066	381,634
Disbursements					
Current:					
General Government	60,592				60,592
Public Works		45,972	92,260	71,781	210,013
Health	7,930			6,857	14,787
Debt Service:					
Principal Retirement	4,471		9,278		13,749
Interest and Fiscal Charges			3,347	3,093	6,440
Total Disbursements	72,993	45,972	104,885	81,731	305,581
Excess of Receipts Over (Under) Disbursements	4,222	35,982	58,514	(22,665)	76,053
Other Financing Sources (Uses)					
Advances In	15,000		15,000		30,000
Advances Out	(15,000)		(15,000)		(30,000)
Other Financing Sources	305				305
Total Other Financing Sources (Uses)	305				305
Net Change in Fund Balances	4,527	35,982	58,514	(22,665)	76,358
Fund Balances Beginning of Year	57,777	33,742	25,333	76,384	193,236
Fund Balances End of Year	<u>\$62,304</u>	<u>\$69,724</u>	<u>\$83,847</u>	<u>\$53,719</u>	<u>\$269,594</u>

See accompanying notes to the basic financial statements.

**WAYNE TOWNSHIP
CHAMPAIGN 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$28,200	\$28,200	\$32,271	\$4,071
Licenses, Permits and Fees	4,000	4,000	6,531	2,531
Intergovernmental	16,200	16,200	33,823	17,623
Earnings on Investments	1,000	1,000	4,590	3,590
Total receipts	49,400	49,400	77,215	27,815
Disbursements				
Current:				
General Government	119,800	119,800	60,592	59,208
Health	4,000	4,000	7,930	(3,930)
Debt Service:				
Principal Retirement			4,471	(4,471)
Total Disbursements	123,800	123,800	72,993	50,807
Excess of Receipts Over (Under) Disbursements	(74,400)	(74,400)	4,222	78,622
Other Financing Sources (Uses)				
Advances In			15,000	15,000
Advances Out	(5,000)	(5,000)	(15,000)	(10,000)
Other Financing Sources	993	993	305	(688)
Total Other Financing Sources (Uses)	(4,007)	(4,007)	305	4,312
Net Change in Fund Balance	(78,407)	(78,407)	4,527	82,934
Fund Balance Beginning of Year	67,991	57,777	57,777	
Fund Balance End of Year	(\$10,416)	(\$20,630)	\$62,304	\$82,934

See accompanying notes to the basic financial statements.

**WAYNE TOWNSHIP
CHAMPAIGN 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$74,850	\$74,850	\$81,954	\$7,104
Total receipts	74,850	74,850	81,954	7,104
Disbursements				
Current:				
Public Works	107,515	107,515	46,262	61,253
Total Disbursements	<u>107,515</u>	<u>107,515</u>	<u>46,262</u>	<u>61,253</u>
Excess of Receipts Over (Under) Disbursements	(32,665)	(32,665)	35,692	68,357
Fund Balance Beginning of Year	<u>33,742</u>	<u>33,742</u>	<u>33,742</u>	
Fund Balance End of Year	<u><u>\$1,077</u></u>	<u><u>\$1,077</u></u>	<u><u>\$69,434</u></u>	<u><u>\$68,357</u></u>

See accompanying notes to the basic financial statements.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS
ROAD DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$124,100	\$124,100	\$118,465	(\$5,635)
Intergovernmental			44,286	44,286
Miscellaneous		3,090	648	(2,442)
			<u>163,399</u>	
Total receipts	124,100	127,190	163,399	36,209
Disbursements				
Current:				
Public Works	114,375	114,375	92,260	22,115
Debt Service:				
Principal Retirement	9,278	9,278	9,278	
Interest and Fiscal Charges	3,347	3,347	3,347	
			<u>104,885</u>	
Total Disbursements	<u>127,000</u>	<u>127,000</u>	<u>104,885</u>	<u>22,115</u>
Excess of Receipts Over (Under) Disbursements	(2,900)	190	58,514	58,324
Other Financing Sources (Uses)				
Advances In			15,000	15,000
Advances Out			(15,000)	(15,000)
			<u>0</u>	
Total Other Financing Sources (Uses)			<u>0</u>	
Net Change in Fund Balance	(2,900)	190	58,514	58,324
Fund Balance Beginning of Year	<u>15,119</u>	<u>25,333</u>	<u>25,333</u>	
Fund Balance End of Year	<u>\$12,219</u>	<u>\$25,523</u>	<u>\$83,847</u>	<u>\$58,324</u>

See accompanying notes to the basic financial statements.

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**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

Wayne Township, Champaign County, (the Township), is a body politic and corporate established in the 1800's 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 Fiscal Officer.

The reporting entity is comprised of the primary government.

A. 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 Northeast Fire District for fire protection. Police protection is provided by Champaign County Sheriff's Department.

B. Jointly Governed Organization

The Township participates in one jointly governed organization with Salem Township handling Mt. Carmel Cemetery (See Note 11). The residents of the Township support the Mount Carmel Cemetery through a tax levy. The Cemetery is directed by an appointed three-member Board of Trustees. The Board is appointed by Salem and Wayne Townships. All financial records are maintained by the Mt. Carmel Cemetery Board. Wayne Township has no financial responsibility separate from this Board.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. 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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Wayne Township has no business-type activities.

The statement of net assets presents the cash balance 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 each governmental function activity is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

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. Non-major funds are aggregated and presented in a single column.

The fund statements report all other receipts and disbursements as non-operating.

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 governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township' major governmental funds are the General Fund, Gasoline Tax and Road District 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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Gasoline Tax Fund receives tax money from gasoline sales tax and is available for maintaining and repairing Township roads.

The Road District Fund receives tax levy money to pay for construction, maintaining and repairing Township roads.

C. Basis of Accounting

The Township's financial statements are prepared using the modified 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 modified 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency 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, department, and object 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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

During 2005, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

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 2005 was \$4,590.

F. 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.

G. Accumulated Leave

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

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.

I. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other 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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Township had no restricted assets in 2005.

K. Fund Balance Reserves

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 and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the modified cash basis of accounting generated the following changes to fund balance/equity as previously reported at December 31, 2004. The calculation of net assets of governmental activities at December 31, 2004 is also presented.

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 Fund, Gasoline Tax Fund and Road District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

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 (STAR Ohio).

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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.

At year end, the Township had \$10,510 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$141,684 of the Township's bank balance of \$241,684 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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 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.

B. Investments

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$24,264</u>	average

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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 2005 represent the collection of 2004 taxes. 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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. 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, 2005, was \$7.70 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	\$21,524,350
Agriculture	7,468,350
Commercial/Industrial/Mineral	1,421,450
Public Utility Property	
Real	30,794,810
Personal	1,546,370
Tangible Personal Property	101,894
Total Assessed Value	<u><u>\$32,542,044</u></u>

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241
Property Coverage		
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$8,738.

8. DEFINED BENEFIT PENSION PLAN

A. 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, 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 9.55 percent. For those classifications, the Township's pension contributions were 13.55 percent of covered payroll. 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, 2005 and 2004 were \$10,927 and \$10,998 respectively. The full amount has been contributed for 2005 and 2004.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

9. POST-EMPLOYMENT BENEFITS

A. 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 Post-employment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 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, 2004, include a rate of return on investments of 8.00 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

10. DEBT OBLIGATION

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate</u>	<u>Principal Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Balance 12/31/05</u>	<u>Due Within One Year</u>
Twp Meeting Bldg & Maint. Facility 2003 Issue	4.86%	\$136,568	\$ 0	\$13,758	\$122,810	\$14,093

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

10. DEBT OBLIGATION (Continued)

The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

<u>Year</u>	<u>G.O. Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	14,093	5,626
2007	14,435	4,933
2008	14,786	4,223
2009	15,145	3,495
2010	15,513	2,751
2011 – 2013	48,838	3,598
Totals	<u>\$122,810</u>	<u>\$24,626</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

11. JOINTLY GOVERNED ORGANIZATION

The Township participates in one jointly governed organization with Salem Township handling Mt. Carmel Cemetery. The residents of the Township support the Mount Carmel Cemetery through a tax levy. The Cemetery is directed by an appointed three-member Board of Trustees. The Board is appointed by Salem and Wayne Townships. All financial records are maintained by the Mt. Carmel Cemetery Board. Wayne Township has no financial responsibility separate from this Board.



Auditor of State Betty Montgomery

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

Wayne Township
Champaign County
5666 Black Road
Cable, Ohio 43009

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Wayne Township, Champaign County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 16, 2006, wherein we noted the Township revised its financial statements for 2005, making them comparable to the requirements of Governmental Accounting Standard Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 and 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated October 16, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 and 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 2005-001. In a separate letter to the Township's management dated October 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

October 16, 2006

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.41(B) prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures plus encumbrances from exceeding current year appropriations. Several appropriations as reported on Township records did not agree to the approved resolution. Expenditures exceeded appropriations at the legal level of control at the end of 2005, based on approved resolutions for the following line items:

Fund	Appropriations	Expenditures	Unfavorable Variance
General:			
Property Tax Collection Fees	\$ 0	\$3,794	(\$3,794)
Other – Other Expenses	1,000	22,416	(22,416)
Payment to another political subdivision	4,000	7,930	(7,930)
Road District Fund:			
Property Tax Collection Fees	\$ 500	\$2,737	(\$2,737)
Permissive Motor Vehicle License Tax:			
Contracted Services	\$ 0	\$3,093	(\$3,093)

There were also other less significant accounts exceeding appropriations.

The Fiscal Officer and Board should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures and encumbrances from exceeding appropriations at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Board should pass a resolution to amend appropriations. Township budgetary records should agree with Board approved appropriation resolutions in order for the Trustees to make informed financial decisions.

Officials Response: The Township Trustees will monitor expenditures in the future.

FINDING NUMBER 2005-002

Fiscal Officer’s Salary

Ohio law establishes compensation levels for township Fiscal Officers. The compensation of the Fiscal Officer is a general governmental expenditure of the township. Therefore the Fiscal Officer’s pay should be charged to the General Fund, as prescribed in the Ohio Township Handbook page A-26 distributed by the Auditor of State. The Township Fiscal Officer’s 2005 salary was \$13,138 of which \$10,840 was paid from Road District and \$985 from Gasoline Tax Funds. The Township Fiscal Officer’s pay should be charged 100% to the General Fund. The accompanying financial statements have been adjusted accordingly.

Officials Response: The Township has corrected this in 2006.

FINDING NUMBER 2005-003

Bank Reconciliation

The following bank reconciliation errors were noted for 2005:

- Bank statements were not reconciled monthly, some were up to 10 months behind resulting in errors not being detected in a timely manner;
- Checks were held up to 60 days before being deposited which could result in checks to be misplaced or lost;
- Interest was not being posted in a timely manner, posted incorrectly or not posted at all;
- Fund balances did not reconcile with bank balances at year end for 2005.

The Township should confirm the current investment balances and make adjustments as needed to correct system balances. Un-posted or mis-posted interest receipts should be corrected on the books.

Correct investment balances should be maintained by posting interest to the accounts when received. Deposits should be made daily. Reconciliations should be performed at the end of each month, investment balances should be included and any variances investigated and corrected as needed.

Interest has been posted to the accompanying financial statements.

Officials Response: The Township Trustees will monitor bank reconciliations monthly.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Section 117.28 – compensated twice for the same week	Yes	
2003-002	ORC Section 5705.40 – Failure to amend appropriations	No	Not corrected; see Finding 2004-001
2003-003	Weakness in Township's Cash Management Procedures	No	Not corrected; see Finding 2004-003



**Auditor of State
Betty Montgomery**

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**WAYNE TOWNSHIP
CHAMPAIGN 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
DECEMBER 12, 2006**