



Mary Taylor, CPA
Auditor of State

WAYNE TOWNSHIP
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	22

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Wayne Township
Champaign County
5666 Black Road
Cable, Ohio 43009

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 7, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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 Wayne Township, Champaign County, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Wayne Township, Champaign County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 7, 2008

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$35,940	\$173,055		\$208,995
Licenses, Permits, and Fees	6,046	6,334		12,380
Intergovernmental	62,321	92,348		154,669
Earnings on Investments	8,749	4,630		13,379
Miscellaneous	3	1,632		1,635
Total Cash Receipts	<u>113,059</u>	<u>277,999</u>		<u>391,058</u>
Cash Disbursements:				
Current:				
General Government	75,260			75,260
Public Works		339,189		339,189
Health	7,291	8,576		15,867
Debt Service:				
Redemption of Principal			\$14,435	14,435
Interest and Other Fiscal Charges			4,948	4,948
Total Cash Disbursements	<u>82,551</u>	<u>347,765</u>	<u>19,383</u>	<u>449,699</u>
Total Receipts Over/(Under) Disbursements	<u>30,508</u>	<u>(69,766)</u>	<u>(19,383)</u>	<u>(58,641)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			20,000	20,000
Transfers-Out	(5,200)	(14,800)		(20,000)
Other Financing Sources	2,791			2,791
Total Other Financing Receipts / (Disbursements)	<u>(2,409)</u>	<u>(14,800)</u>	<u>20,000</u>	<u>2,791</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	28,099	(84,566)	617	(55,850)
Fund Cash Balances, January 1	<u>25,498</u>	<u>288,508</u>		<u>314,006</u>
Fund Cash Balances, December 31	<u>\$53,597</u>	<u>\$203,942</u>	<u>\$617</u>	<u>\$258,156</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$290</u>	<u>\$0</u>	<u>\$290</u>

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

**WAYNE TOWNSHIP
CHAMPAIGN 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$32,465	\$171,053	\$203,518
Licenses, Permits, and Fees	7,116	3,515	10,631
Intergovernmental	14,008	97,899	111,907
Earnings on Investments	7,457	4,534	11,991
Miscellaneous		3,305	3,305
Total Cash Receipts	<u>61,046</u>	<u>280,306</u>	<u>341,352</u>
Cash Disbursements:			
Current:			
General Government	87,857		87,857
Public Works		181,634	181,634
Health	9,183	2,609	11,792
Debt Service:			
Redemption of Principal		14,093	14,093
Interest and Other Fiscal Charges	5,216	752	5,968
Total Cash Disbursements	<u>102,256</u>	<u>199,088</u>	<u>301,344</u>
Total Receipts Over/(Under) Disbursements	<u>(41,210)</u>	<u>81,218</u>	<u>40,008</u>
Other Financing Receipts:			
Other Financing Sources	<u>4,404</u>		<u>4,404</u>
Total Other Financing Receipts	<u>4,404</u>		<u>4,404</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(36,806)	81,218	44,412
Fund Cash Balances, January 1	<u>62,304</u>	<u>207,290</u>	<u>269,594</u>
Fund Cash Balances, December 31	<u>\$25,498</u>	<u>\$288,508</u>	<u>\$314,006</u>
Reserve for Encumbrances, December 31		<u>\$34,290</u>	<u>\$34,290</u>

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Champaign 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, cemetery maintenance, and fire protection. The Township contracts with the Northeast Fire District to provide fire services.

The Township participates in a jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

1. Jointly Governed Organization:

The Township participates with Salem Township in the Mt. Carmel Cemetery (See Note 8). 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.

2. Public Entity Risk Pool:

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Road District Fund - This fund receives property tax money from a road levy for constructing, maintaining, and repairing Township roads.

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund.

Debt Service Fund - This fund accumulates resources to retire principal and interest payments for general obligation notes of the Township meeting hall and garage.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$212,481	\$269,729
Certificates of deposit	18,885	18,802
Total deposits	<u>231,366</u>	<u>288,531</u>
STAR Ohio	26,790	25,475
Total investments	<u>26,790</u>	<u>25,475</u>
Total deposits and investments	<u><u>\$258,156</u></u>	<u><u>\$314,006</u></u>

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

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

3. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,705	\$115,850	\$67,145
Special Revenue	309,113	277,999	(31,114)
Debt Service	20,000	20,000	
Total	<u>\$377,818</u>	<u>\$413,849</u>	<u>\$36,031</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,000	\$87,751	\$30,249
Special Revenue	548,000	362,855	185,145
Debt Service	20,000	19,383	617
Total	<u>\$686,000</u>	<u>\$469,989</u>	<u>\$216,011</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,233	\$65,450	\$18,217
Special Revenue	309,314	280,306	(29,008)
Total	<u>\$356,547</u>	<u>\$345,756</u>	<u>(\$10,791)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,520	\$102,256	\$30,264
Special Revenue	309,382	233,378	76,004
Total	<u>\$441,902</u>	<u>\$335,634</u>	<u>\$106,268</u>

Contrary to Ohio law, budgetary appropriations exceeded estimated resources in the permissive motor vehicle license tax fund by \$24,162 and in the lighting assessment fund by \$13,902 for the year ended December 31, 2006. For the year ended December 31, 2007, appropriations exceeded estimated resources in the general fund by \$1,856.

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.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

4. PROPERTY TAX (Continued)

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. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$94,282	4.86%
Total	\$94,282	

In 2003, the Township issued general obligation notes to finance the purchase of a new Township meeting hall and garage for Township road maintenance. The Township's taxing authority collateralized the bonds.

The notes covenant requires the Township to establish and fund a debt service fund, which is included in the 2007 statements. The Township established this fund subsequent to a recommendation by the Auditor of State's office. The balance in the fund at December 31, 2007 is \$617.

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

Year ending December 31:	General Obligation Notes
2008	\$19,009
2009	18,640
2010	18,264
2011	17,877
2012	17,482
2013	17,077
Total	\$108,349

6. RETIREMENT SYSTEMS

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

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

7. RISK MANAGEMENT

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

7. RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2005	\$4,409
2006	\$4,340
2007	\$4,196

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. JOINTLY GOVERNED ORGANIZATIONS

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.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Wayne Township
Champaign County
5666 Black Road
Cable, Ohio 43009

To the Board of Trustees:

We have audited the financial statements of Wayne Township, Champaign County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 7, 2008, 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 also noted the Township revised its financial presentation method to conform to presentation methods the Auditor of State prescribes or permits. 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 that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**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: 2007-001 through 2007-004.

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 findings number 2007-001, 2007-002, and 2007-003 are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 7, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002, 2007-003, and 2007-005.

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 7, 2008.

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

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



Mary Taylor, CPA
Auditor of State

October 7, 2008

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

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

FINDING NUMBER 2007-001

Material Weakness – Bank Reconciliations

A well designed internal control environment encompasses several factors to include timely posting of receipts and disbursements, timely review and evidence of review of financial reports, reconciliations of amounts posted to the accounting ledgers to evidential matter, and reconciliations between the accounting ledgers and the bank/investments statements.

Several internal control weaknesses were identified from the Township's bank reconciliations which included:

- All bank reconciliations were performed untimely except for the December 31, 2006 and 2007 bank reconciliations. The January 31, 2007 bank reconciliation was not performed until December 17, 2007;
- Investment income was not posted to the accounting ledgers for several months resulting in a large reconciling amount;
- Posting errors to the accounting ledgers were identified from the bank statements but went unrecorded on the ledgers for several months;
- Deposits of cash were not recorded in the accounting ledgers for several months;
- Deposits in transit at December 31, 2006 totaling \$15,244 was not deposited to the bank until January 4, 2007;
- In fiscal year 2007, charges not recorded in the system totaled \$11,466 at November 30 and at least \$11,000 was not recorded from April 30 until year end; and
- There is no evidence from the meeting minutes or the bank reconciliations that the Board of Trustees reviewed the bank reconciliations.

Additionally, The Township failed to classify revenues correctly in the following instances:

- In fiscal year 2006 \$19,841 was posted to taxes for rollback and homestead monies that should have been posted as intergovernmental revenue;
- In fiscal year 2006 \$2,460 was posted as taxes for lighting assessments that should have been posted as special assessments; and
- In fiscal year 2007 \$20,397 was posted to taxes for rollback and homestead monies that should have been posted as intergovernmental revenue.

The Township failed to post revenues timely in the following instances:

- In fiscal year 2006 the Township received \$5,427 and \$9,830 in April and May that was not posted until December 2006; and
- In fiscal year 2007 the Township received \$10,133 in June that was not posted until December 2007.

These errors resulted in incorrect financial information being presented to the Board by the Fiscal Officer and could have resulted in significant errors, whether intentional or unintentional, to have occurred and not be identified for several months. Furthermore, failure of the Board of Trustees to review the bank reconciliations could have detrimental affects upon the Township to include material errors or theft occurring without the board identifying it in a timely manner. Due to the organizational structure and small size of the Township, review of the bank reconciliations and bank statements on a monthly basis by the Board of Trustees is critical to the financial stewardship of their positions.

**FINDING NUMBER 2007-001
(Continued)**

To strengthen internal control and to more accurately reflect the financial activity of the Township throughout each fiscal year, the following should be implemented:

- Disbursements and receipts should be posted to the accounting records in a timely manner, at least within the month that the transaction occurs or if at month end, shortly thereafter. The fiscal officer should utilize the *Ohio Township Handbook* and Uniform Accounting Network guidance to correctly post receipts to the proper funds and account codes;
- Bank reconciliations should be performed monthly;
- Bank reconciliations should be presented to the Board on a monthly basis and the Board should approve the bank reconciliation each month and sign off on the reconciliations indicating their approval and review;
- If errors are detected during the reconciliation process, they should be corrected and clearly identified in the accounting ledgers and records; and
- The Board of Trustees should receive financial reports from the accounting system on a monthly basis to determine the resources available to them to carry on the business of the Township.

Officials Response: All bank reconciliations are up-to-date as of 9/30/08. Copies will be reviewed by trustees at the next meeting on 11/2/08. The clerk will perform bank reconciliations each month and distribute copies to trustees for their review in a timely manner.

FINDING NUMBER 2007-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

In summary, Ohio Rev. Code Section 505.24(C) requires the following:

- Trustees receiving per diem compensation: Whenever members of a board of township trustees are compensated per diem, the board shall establish, by resolution, a method by which each trustee shall periodically notify the township fiscal officer of the number of days spent on township services and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in proportion to the kinds of services rendered, as documented.
- Trustees receiving compensation by annual salary: By resolution, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

**FINDING NUMBER 2007-002
(Continued)**

For salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

Prior to the issuance of the aforementioned OAG Opinion, the Auditor of State (AOS) accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with Rev. Code Section 505.24(C). This OAG Opinion alters that conclusion. Resolutions to pay trustees by salary should now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

For example, subsequent to the OAG Opinion, it is not acceptable for a township to resolve that they will "charge 50% of trustee salaries and benefits to the general fund and 50% of this compensation to the road & bridge fund."

In fiscal years 2006 and 2007, the Township expended \$38,011 from the Road District Fund and \$19,045 from the Gasoline Tax Fund for part of the trustees' and fiscal officer's salaries and insurance benefits that should have been expended from the General Fund. The Township trustees' salaries and benefits should have been paid from the general fund because the Township has not established administrative procedures to document the time that trustees spend on services rendered. The fiscal officer's salary and benefits should have been paid from the general fund pursuant to Ohio Rev. Code Section 507.09 and the guidance from the *Ohio Township Handbook (page A-28)*. The accompanying financial statements have been adjusted accordingly.

The failure to record expenditures in the fund that can legally support the validity of the expenditures can inhibit management's ability to make sound financial decisions based on the reported activity. In addition, the recording of expenditures in the wrong fund can result in the material misstatement of the financial statements.

The Township should establish administrative procedures to document the time spent by the trustees on services such as plowing, mowing, and road work. Payments made from the Road District and Gas Tax funds should be supported by these administrative procedures and a proper allocation from these funds for the trustees' salaries and benefits should be utilized. Periodically, a review should be performed of the accounting records to help assure that the recorded activity is appropriate in each fund. Otherwise, all trustees' salaries and benefits should be paid from the General fund. The fiscal officer's salary and benefits should be paid only from the general fund.

Officials Response: The trustees and clerk salaries will be paid from the General Fund in the future.

FINDING NUMBER 2007-003

Material Weakness/Noncompliance Citation

Article XII, Section 5a, Ohio Const. and 1982 Op. Atty Gen. No. 82-031 state that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The fiscal officer did not distribute interest to the motor vehicle license tax fund and the gasoline tax fund in fiscal years 2006 and 2007. Additionally, interest posted to the permissive motor vehicle license tax fund was not posted correctly.

These errors resulted in the general fund balance being overstated by \$8,708 and the aforementioned funds being understated. The accompanying financial statements have been adjusted to account for these errors.

To provide for more accurate financial information and to comply with applicable laws and regulations, the fiscal officer should credit the motor vehicle license and fuel tax funds with interest earned. All other interest earned should be posted to the general fund.

Officials Response: Interest earnings will be posted per the audit recommendation.

FINDING NUMBER 2007-004

Significant Deficiency – Check Registers

Testing of non-payroll and payroll expenditures noted the following control deficiencies:

- In twenty-one instances, check numbers were posted to the general and payroll ledgers that did not correspond to the cancelled check of which two of these were counter checks;
- In eighty-eight instances the fiscal officer voided checks;
- Check amounts were recorded on the general and payroll ledgers in amounts that were different than the checks issued; and
- Some checks issued were hand written although the Township has a check printing machine that posts vendor name, account codes, and amounts to the system that would correspond to the check.

The following errors resulted in incorrect financial information being presented to the Board by the Fiscal Officer and could have resulted in significant errors, whether intentional or unintentional, to have occurred and not be identified for several months. These errors could also have resulted in financial statement errors occurring and not being detected.

To strengthen internal control and to more accurately reflect the financial activity of the Township throughout each fiscal year, the following should be implemented:

**FINDING NUMBER 2007-004
 (Continued)**

- Numerical control over the checks should be established to assist the Township in the reconciliation process and to prevent misappropriation of funds;
- Procedures should be established to limit the number of voided checks;
- A payment register of general and payroll ledger checks should be provided to the Township trustees and agreed to the checks before they are approved to prevent different amounts recorded to the system than check amounts issued; and
- To reduce that chance of error from issuing manual checks, the Township used utilize their UAN accounting system check printing feature to further ensure that check amounts agree to the system.

Officials Response: The clerk will take precautions to make sure check numbers in the ledger coincide with cancelled checks. Most voiding of checks is done because of errors with computer or printer. Clerk will avoid manually writing checks as recommended.

FINDING NUMBER 2007-005

Material Citation

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated resources as certified by the County Budget Commission.

As of December 31, 2006 and 2007, appropriations exceeded total estimated resources for the following funds:

<u>December 31, 2006</u> Fund	<u>Total Estimated</u> <u>Resources</u>	<u>Total</u> <u>Appropriations</u>	<u>Variance</u>
Special Revenue:			
Permissive Motor Vehicle License Tax	\$39,838	\$64,000	(\$24,162)
Lighting Assessment	3,698	17,600	(13,902)
<u>December 31, 2007</u> Fund	<u>Total Estimated</u> <u>Resources</u>	<u>Total</u> <u>Appropriations</u>	<u>Variance</u>
General	\$116,144	\$118,000	(\$1,856)

The Township should implement policies and procedures to prevent appropriations from exceeding the amounts certified as available. This will decrease the possibility of spending in excess of available resources and creating deficit cash balances.

Officials Response: Every effort will be made in the future to avoid appropriations from exceeding amounts certified as estimated resources.

**WAYNE TOWNSHIP
CHAMPAIGN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 5705.41(B) – expenditures exceed appropriations	Yes	
2005-002	Fiscal Officer's Salary – paid from wrong fund	No	Repeated as Finding 2007-002
2005-003	Bank reconciliation – several errors noted	No	Repeated as Finding 2007-001



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008**