

Wayne Township

Fayette County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

**CAUDILL & ASSOCIATES, CPA'S**

725 5<sup>TH</sup> Street

Portsmouth, OH 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Wayne Township  
5261 Hukill Road  
Greenfield, Ohio 43160

We have reviewed the *Independent Auditor's Report* of Wayne Township, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA  
Auditor of State

September 30, 2010

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**Wayne Township**  
**Fayette County**  
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*For the Years Ended December 31, 2009 and 2008*

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## Caudill & Associates, CPA's

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### Independent Auditor's Report

Wayne Township  
Fayette County  
5261 Hukill Road  
Greenfield, Ohio 43160

To the Township Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Fayette County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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, 2009 and 2008 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, 2009 and 2008, 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, Fayette County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

Wayne Township  
Fayette County  
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, 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.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
June 25, 2010

**Wayne Township**  
**Fayette County**  
*Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2009*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 43,746	\$ 39,390	\$ 83,136
Licenses, Permits and Fees	540	2,451	2,991
Intergovernmental	89,881	97,028	186,909
Special Assessments	-	5,119	5,119
Earnings on Investments	2	3	5
Miscellaneous	21,436	2,908	24,344
<b>Total Cash Receipts</b>	<b>155,605</b>	<b>146,899</b>	<b>302,504</b>
Cash Disbursements:			
Current:			
General Government	69,780	-	69,780
Public Safety	4,044	24,193	28,237
Public Works	-	84,210	84,210
Health	16,866	6,870	23,736
Capital Outlay	6,450	-	6,450
Debt Service:			
Redemption of Principal	-	7,258	7,258
Interest and Fiscal Charges	-	500	500
<b>Total Cash Disbursements</b>	<b>97,140</b>	<b>123,031</b>	<b>220,171</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>58,465</b>	<b>23,868</b>	<b>82,333</b>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	-	128	128
Advances-In	3,884	3,884	7,768
Advances-Out	(3,884)	(3,884)	(7,768)
Other Financing Sources	6,830	-	6,830
Other Financing Uses	(325)	-	(325)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>6,505</b>	<b>128</b>	<b>6,633</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64,970	23,996	88,966
Fund Cash Balances, January 1	63,998	143,701	207,699
Fund Cash Balances, December 31	<u>\$ 128,968</u>	<u>\$ 167,697</u>	<u>\$ 296,665</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$10</u>	<u>\$10</u>

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

**Wayne Township**  
**Fayette County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Fiduciary Fund Types*  
*For the Year Ended December 31, 2009*

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	Fiduciary Fund Type
	Private Purpose Trust
Fund Cash Balances, January 1	\$ 4,271
Fund Cash Balances, December 31	\$ 4,271

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

**Wayne Township**  
**Fayette County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2008*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 44,328	\$ 33,289	\$ 77,617
Licenses, Permits and Fees	745	3,114	3,859
Intergovernmental	76,377	106,917	183,294
Special Assessments	-	5,410	5,410
Earnings on Investments	294	14	308
Miscellaneous	13,218	1,513	14,731
	<u>134,962</u>	<u>150,257</u>	<u>285,219</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	97,775	14,592	112,367
Public Safety	-	36,280	36,280
Public Works	-	57,606	57,606
Health	12,749	2,535	15,284
Capital Outlay	6,842	-	6,842
Debt Service:			
Redemption of Principal	-	6,990	6,990
Interest and Fiscal Charges	-	772	772
	<u>117,366</u>	<u>118,775</u>	<u>236,141</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>17,596</u>	<u>31,482</u>	<u>49,078</u>
Other Financing Receipts:			
Other Financing Sources	<u>790</u>	<u>-</u>	<u>790</u>
Total Other Financing Receipts	<u>790</u>	<u>-</u>	<u>790</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	18,386	31,482	49,868
Fund Cash Balances, January 1 - As Restated	<u>45,612</u>	<u>112,219</u>	<u>157,831</u>
Fund Cash Balances, December 31	<u>\$ 63,998</u>	<u>\$ 143,701</u>	<u>\$ 207,699</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**Wayne Township**  
**Fayette County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Fiduciary Fund Types*  
*For the Year Ended December 31, 2008*

---

	Fiduciary Fund Type
	Private Purpose Trust
Fund Cash Balances, January 1 - As Restated	\$ 4,271
Fund Cash Balances, December 31	\$ 4,271

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

**Note 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 Wayne Township, Fayette County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including road maintenance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters, as the Auditor of State prescribes or permits.

**C. Cash Deposits**

The Township invests all available funds, except for one trust, in an interest-bearing checking account with a local commercial bank. One trust's assets are invested in a U.S. Savings bond. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. U.S. Savings bonds are recorded at cost.

**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 of specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money to pay 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.

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Fire Levy Fund* - This fund receives property tax money to pay for providing fire protection to Township residents.

*Permissive Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money levied by Fayette County to pay for maintaining and repairing Township roads.

**3. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organization, or other governments which are not available to support the Township's own programs. The Township has no agency funds.

The Township's private purpose trusts account for trust funds held for the operation and maintenance of the cemetery for the benefit of specified individual lots.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**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 2009 and 2008 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.

**Wayne Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 2 – Equity in Pooled Cash and Investments**

The Township maintains a cash and investment pool that 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:

	2009	2008
Demand Deposits	\$300,436	\$211,470
U.S. Saving Bonds	500	500
Demand Deposits	\$300,936	\$211,970

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

**Investments:** U.S. Savings Bonds are guaranteed by the Federal government.

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$144,975	\$166,319	\$21,344
Special Revenue	136,450	150,911	14,461
Total	\$281,425	\$317,230	\$35,805

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,011	\$101,349	\$103,662
Special Revenue	258,817	126,925	131,892
Total	\$463,828	\$228,274	\$235,554

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,758	\$135,752	\$41,994
Special Revenue	133,693	150,257	16,564
Total	\$227,451	\$286,009	\$58,558

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,513	\$117,366	\$32,147
Special Revenue	222,432	118,775	103,657
Private Purpose Trust	3,772	0	3,772
Total	\$375,717	\$236,141	\$139,576

**Wayne Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 4 - Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**Note 5 - Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Fire Equipment Loan	\$7,537	3.8%

The fire equipment loan was issued on August 30, 2005 for five years to purchase a new fire truck and related equipment. Amortization of the loan, including interest, is scheduled as follows:

For the Year Ended	Principal	Interest
December 31: 2010	\$7,537	\$215

**Note 6 – Retirement Systems**

The Township’s officials and employees (excluding volunteer firefighters) belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include post-retirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2009.

The Township’s volunteer firefighters contribute to Social Security. Contribution rates for 2009 and 2008 were 6.2% of gross salaries for employee and employer.

**Wayne Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 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. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

*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 OTARMA 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 APEEP'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**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 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 net assets at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	12,981,818	13,357,837
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. 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.

<u>Contributions to OTARMA</u>	
2009	\$6,772
2008	8,315
2007	8,796

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.

**Note 8 – Compliance**

The Township had did not properly encumber funds in accordance with Ohio Revised Code Section 5705.41(D).

The Township had appropriations in excess of available resources which is contrary to Ohio Revised Code Section 5705.39.

The Township did not prepare proper computations to support allocations of Trustee salaries to the Gas Tax Fund which is contrary to Ohio Revised Code Section 505.24(C).

**Note 9 – Subsequent Event**

Beginning January 1, 2010, the Township will provide fire protection services to the eastern portion of Perry Township for an annual fee of \$15,000.

**Wayne Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 10 – Restatement of Fund Cash Balances**

Trust funds were improperly classified as Permanent Funds prior to 2008. In order to properly reflect the Township's trusts, previously reported balances require the following adjustments:

	Permanent Funds	Private Purpose Trust Funds
Fund Cash Balances, December 31, 2007	\$4,271	\$0
Restatements	(4,271)	4,271
Fund Cash Balances, As Restated, December 31, 2007	\$0	\$4,271



## Caudill & Associates, CPA's

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Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Wayne Township  
Fayette County  
5261 Hukill Road  
Greenfield, Ohio 43160

To the Township Board of Trustees:

We have audited the financial statements of Wayne Township, Fayette County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 25, 2010, 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 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 for the purpose of opining on the effect iveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effecti veness 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 paragra ph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or mater ial weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not all ow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a defici ency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009 -003 described in the accompanying schedule of findings and responses to be a material weakness.

Wayne Township  
Fayette County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

### **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 and responses as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 25, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 management, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
June 25, 2010

**Wayne Township**  
**Fayette County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2009 and 2008*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2009-001**

**Noncompliance – Encumbrances**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Eleven percent of non-payroll disbursements tested in 2008 and two percent in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code. The Township should adopt the appropriate procedures to ensure that encumbrances are certified properly in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

**Township Response:**

This was an area that the Fiscal Officer did not have any experience with. There has been on-going training to improve. The 2009 error rate was significantly less than 2008.

**Finding Number 2009-002**

**Noncompliance – Allocation of Trustee Salaries**

Ohio Revised Code Section Ohio Rev. Code §505.24(C) and OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted 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 the restricted funds. The Township approves an annual motion as to how Trustee salaries will be allocated. Although activity sheets are prepared to document how the Trustees’ time is spent, the annual motion does not allocate based on work performed. The Township should implement procedures to ensure that Trustee salaries are paid in accordance with actual time spent.

**Township Response:**

The Fiscal Officer will document through trustee schedules how time is allocated.

**Wayne Township**  
**Fayette County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2009 and 2008*

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**Finding Number 2009-003**

**Material Weakness – Audit Adjustments**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the financial activity of the Village in both years. The Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

This was an area that the Fiscal Officer did not have any experience with. There has been on-going training to improve. The 2009 error rate was significantly less than 2008.

**Wayne Township**  
**Fayette County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2009 and 2008*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code Section 117.38 – Filing of annual financial report and publishing notice of availability	Yes	N/A
2007-002	Ohio Revised Code Section 145.51 – OPERS remittances	Yes	N/A
2007-003	Ohio Revised Code Section 505.24(C) and OAG Opinion 2004-036 – Allocation of Trustee salaries	No	Reissued as finding 2009-003
2007-004	Ohio Revised Code Section 507.03 – Proper bonding of officials	Yes	N/A
2007-005	Ohio Revised Code Section 5705.39 – Appropriations in excess of estimated resources	Yes	N/A
2007-006	Ohio Revised Code Section 5705.41(B) – Expenditure commitments in excess of appropriations	Yes	N/A
2007-007	Ohio Revised Code Section 5705.41(D) – Prior certification of funds	No	Reissued as finding 2009-001
2007-008	Ohio Revised Code Section 5747.06 – State income tax remittances	Yes	N/A
2007-009	26 U.S.C. Section 3101(A) – Federal income remittances	No	Partially corrected – reissued in management letter
2007-010	Significant deficiency/material weakness – System discrepancies	Yes	N/A
2007-011	Significant deficiency – Payroll procedures	Yes	N/A
2007-012	Significant deficiency/material weakness – Misclassification of receipts and disbursements	No	Reissued as finding 2009-004

**Wayne Township**  
**Fayette County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2009 and 2008*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-013	Significant deficiency – Firemen’s pay	Yes	N/A
2007-014	Significant deficiency – Cemetery bequest funds	Yes	N/A
2007-015	Significant deficiency/material weakness – Manual checks	Yes	N/A



**Mary Taylor, CPA**  
Auditor of State

**WAYNE TOWNSHIP**

**FAYETTE 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  
OCTOBER 14, 2010**