



Mary Taylor, CPA  
Auditor of State



WAYNE TOWNSHIP  
BELMONT COUNTY

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# Mary Taylor, CPA

Auditor of State

Wayne Township  
Belmont County  
56965 Stumptown School Road  
Jerusalem, Ohio 43747

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.

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**Mary Taylor, CPA**  
Auditor of State

May 11, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township  
Belmont County  
56965 Stumptown School Road  
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Wayne Township, Belmont County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 11, 2007

**WAYNE TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$25,584	\$83,637	\$109,221
Intergovernmental	84,203	204,008	288,211
Earnings on Investments	1,524	852	2,376
Other Revenue		21,498	21,498
		<u>21,498</u>	<u>21,498</u>
 Total Cash Receipts	 <u>111,311</u>	 <u>309,995</u>	 <u>421,306</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	57,421	17,961	75,382
Public Safety	120		120
Public Works	3,752	240,393	244,145
Health	3,894		3,894
Debt Service:			
Redemption of Principal	20,454		20,454
Interest and Fiscal Charges	633		633
		<u>633</u>	<u>633</u>
 Total Cash Disbursements	 <u>86,274</u>	 <u>258,354</u>	 <u>344,628</u>
 Total Cash Receipts Over Cash Disbursements	 <u>25,037</u>	 <u>51,641</u>	 <u>76,678</u>
 Fund Cash Balances, January 1	 <u>37,641</u>	 <u>157,036</u>	 <u>194,677</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u><u>\$62,678</u></u></b>	 <b><u><u>\$208,677</u></u></b>	 <b><u><u>\$271,355</u></u></b>

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

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$11,564	\$31,277	\$42,841
Intergovernmental	61,239	322,331	383,570
Licenses, Permits, and Fees	54		54
Earnings on Investments	1,033	706	1,739
Other Revenue		4,125	4,125
	<u>73,890</u>	<u>358,439</u>	<u>432,329</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	47,681	5,618	53,299
Public Safety	120		120
Public Works	4,790	299,361	304,151
Health	3,669		3,669
Debt Service:			
Redemption of Principal	11,660		11,660
Interest and Fiscal Charges	1,135		1,135
	<u>69,055</u>	<u>304,979</u>	<u>374,034</u>
Total Cash Receipts Over Cash Disbursements	<u>4,835</u>	<u>53,460</u>	<u>58,295</u>
Fund Cash Balances, January 1	<u>32,806</u>	<u>103,576</u>	<u>136,382</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$37,641</u></u></b>	<b><u><u>\$157,036</u></u></b>	<b><u><u>\$194,677</u></u></b>

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

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Belmont County, Ohio (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 Somerton, Beallsville, and the Village of Bethesda Volunteer Fire Departments to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 6 to the financial statements provides additional information for this risk pool membership.

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

**B. Basis of Accounting**

These financial statements follow the 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.

**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.

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from 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:

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

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

Federal Emergency Management Agency (FEMA) Fund - This fund receives grants to fund the repair and replacement of various Township roads and bridges damaged by land slides and flooding.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**3. 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:

	2006	2005
Demand deposits	\$210,253	\$135,801
Certificates of deposit	61,102	58,876
Total deposits	\$271,355	\$194,677

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2006 and 2005, \$79,570 and \$58,926, respectively, of deposits were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2005 and 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,465	\$111,311	\$38,846
Special Revenue	198,318	309,995	111,677
Total	\$270,783	\$421,306	\$150,523

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,798	\$86,274	\$14,524
Special Revenue	201,841	258,354	(56,513)
Total	\$302,639	\$344,628	(\$41,989)

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,392	\$73,890	\$498
Special Revenue	338,363	358,439	20,076
Total	\$411,755	\$432,329	\$20,574

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,490	\$69,055	\$9,435
Special Revenue	170,629	304,979	(134,350)
Total	\$249,119	\$374,034	(\$124,915)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General Fund by \$8,292, Road and Bridge Fund by \$16,874, in the Fire Levy Fund by \$3,270, and in the FEMA Fund by \$51,134 for the year ended December 31, 2006; and budgetary expenditures exceeded appropriation authority in the Fire Levy fund by \$1,562 and in the FEMA Fund by \$169,146 for the year ended December 31, 2005.

Contrary to Ohio law, multiple supplemental appropriations were not approved by the Board of Trustees and certified to the County Auditor.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**5. RETIREMENT SYSTEMS**

The Township's elected officials and 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 2005, OPERS participants contributed 8.5 percent of their wages. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. For 2006, OPERS participants contributed 9 percent of their wages. The Township contributed an amount equal to 13.70 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

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.

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.

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

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.

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 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also 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. 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 \$9,800. 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><b>Township Contributions to OTARMA</b></u>	
2003	\$3,315
2004	\$3,510
2005	\$5,122

After completing one year of membership, 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 contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal.

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# 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  
Belmont County  
56965 Stumptown School Road  
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the financial statements of Wayne Township, Belmont County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 11, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-002 through 2006-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated May 11, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-006.

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 May 11, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

May 11, 2007

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Rev. Code § 5705.10(D) states that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund with the following exception: Article XII, Section 5a of the Ohio Constitution, cited by Ohio Attorney General Opinion No. 83-031 requires interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Township Clerk did not record interest earned on a certificate of deposit in the amount of \$1,895. Based on the foregoing facts, interest should be allocated as follows: \$1,251 to the General Fund, \$84 to the Motor Vehicle License Tax Fund, and \$560 to the Gasoline Tax Fund.

As of the date of this report, Township management was in agreement with the aforementioned adjustment and the adjustment has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township Clerk contact the bank to ensure that all interest earned on the various Township bank accounts and certificates of deposit are accurately posted to the Township's accounting system.

**Official's Response:**

We did not receive a response from the Township

**FINDING NUMBER 2006-002**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code § 5705.10(C) states that all revenue from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2006, the Township Clerk posted the levy monies generated by the fire levy, as reported on the August general property tax settlement, to the General Fund in the amount of \$1,804. These levy monies should have been posted to the Fire Levy Fund, Special Revenue Fund type.

As of the date of this report, Township management was in agreement with the aforementioned adjustment and the adjustment has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township Clerk review guidance within the Uniform Accounting Network Accounting Manual under Township Chart of Accounts. This guidance will allow the Clerk to make proper postings to revenue account classifications based on the source of the revenue.

**Official's Response:**

We did not receive a response from the Township

**WAYNE TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-003**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code § 5705.40 states any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Township Clerk posted multiple appropriation amendments throughout the audit period. However, certain amendments were not approved by the Board of Trustees in the minutes and/or certified to the County Auditor.

We recommend the Township management review budgetary procedures for amending appropriations, document Township Trustee approval of all appropriations amendments in the Township Trustee minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the required approvals have been obtained. The accompanying budgetary presentation includes only appropriations approved by the Township Trustees.

**Official's Response:**

We did not receive a response from the Township

**FINDING NUMBER 2006-004**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated.

At December 31, 2006, the following funds had expenditures which exceeded appropriations at the legal level of control due to audit adjustments to record only those appropriations approved by the Board of Trustees.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Principal Payments - Notes	\$12,162	\$20,454	(\$8,292)
Road & Bridge Fund:			
Uniform, Tool & Equipment Reimbursements	17,000	33,874	(16,874)
Fire Levy Fund:			
Other – Other Expenses	3,000	6,270	(3,270)
FEMA Fund:			
Repairs & Maintenance	20,000	71,134.00	(51,134)

**WAYNE TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Citation and Significant Deficiency (Continued)**

Ohio Rev. Code § 5705.41(B) (Continued)

At December 31, 2005, the following funds had expenditures which exceeded appropriations at the legal level of control, due to audit adjustments to record only those appropriations approved by the Board of Trustees.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Fire Levy Fund:			
Other – Other Expenses	\$4,057	\$5,619	(\$1,562)
FEMA Fund:			
Other Expenses	4,357	60,384	(56,027)
Other	0	101,590	(101,590)
Other – Supplies & Materials	0	11,529	(11,529)

We recommend the Township management monitor all fund expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts. We recommend the Board of Trustees approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Board of Trustees should be documented in the official minute record.

**Official's Response:**

We did not receive a response from the Township

**FINDING NUMBER 2006-005**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code § 135.18(A), states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section.

**WAYNE TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-005 (Continued)**

**Noncompliance Citation and Significant Deficiency (Continued)**

**Ohio Rev. Code § 135.18 (Continued)**

The deposits at Wesbanco Bank, Inc., exceeded the pledged collateral provided by the bank and the Federal Deposit Insurance Corporation coverage at December 31, 2006 by \$79,570 and at December 31, 2005 by \$58,926.

We recommend the Township Clerk obtain copies of the collateral amounts pledged by the bank, at least quarterly, and monitor the checking and investment balances to ensure adequate collateral is maintained.

**Official's Response:**

We did not receive a response from the Township

**FINDING NUMBER 2006-006**

**Noncompliance Citation and Significant Deficiency**

**Budgetary Postings**

Ohio Admin. Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Appropriations, as reflected on the Uniform Accounting Network computer system, did not always agree to the Annual Resolution.

<u>Year</u>	<u>Fund</u>	<u>Appropriations Resolution</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
2006	General Fund	\$100,798	\$109,798	(\$9,000)
	Motor Vehicle License Tax Fund	27,000	26,000	1,000
	Road and Bridge Fund	36,800	53,800	(17,000)
	Fire Levy Fund	3,000	6,500	(3,500)
	FEMA Fund	51,691	102,825	(51,134)
2005	Fire Levy Fund	\$4,057	\$5,619	(\$1,562)
	FEMA Fund	4,357	215,184	(210,827)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year.

**WAYNE TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-006(Continued)**

**Noncompliance Citation and Significant Deficiency (Continued)**

**Ohio Admin. Code § 117-2-02(C)(1) - Budgetary Postings (Continued)**

We recommend the Township Clerk post only those appropriations which have been approved by the Board of Trustees to the computer system. We recommend the Board of Trustees approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Board of Trustees should be documented in the official minute record. The accompanying budgetary presentation includes only appropriations approved by the Board of Trustees.

**Official's Response:**

We did not receive a response from the Township

**FINDING NUMBER 2006-007**

**Significant Deficiency**

**Revenue Account Posting**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

In 2006 and 2005, taxes and intergovernmental receipts were not always posted to the correct receipt classifications, based on the source of the receipt. Posting receipts to improper classifications result in inaccurate financial information being presented to the Township Trustees. The Auditor of State, with management's approval, made reclassification entries to the accompanying financial statements to accurately reflect the proper classification of receipts.

We recommend the Township Clerk review guidance within the Uniform Accounting Network Accounting Manual under Township Chart of Accounts. This guidance will allow the Clerk to make proper postings to revenue account classifications based on the source of the revenue.

**Official's Response:**

We did not receive a response from the Township

**WAYNE TOWNSHIP  
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Revised Code Section 5705.10 requiring all revenue derived from a specific source be credited to a special fund for the purpose for which money was received.	No	Not corrected; Reissued as Finding No.2006-02
2004-002	Ohio Revised Code Section 5705.41(D)(1) for not encumbering funds prior to making obligations and for not approving, in the minutes, the amount for which blanket purchase orders cannot exceed.	No	Partially corrected; Reissued as a management letter comment
2004-003	Ohio Administrative Code Section 117-7-01(B) for not posting receipts in the correct classifications.	No	Not corrected; Reissued as Finding No. 2006-07
2004-004	Ohio Administrative Code Section 117-2-02(C)(1) for not posting budgetary accounts properly.	No	Not corrected; Reissued as Finding No. 2006-06



**Mary Taylor, CPA**  
Auditor of State

**WAYNE TOWNSHIP**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 19, 2007**