



Dave Yost • Auditor of State



WAYNE TOWNSHIP  
AUGLAIZE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Wayne Township  
Auglaize County  
P.O. Box 103  
Waynesfield, Ohio 45896

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Wayne Township, Auglaize County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Wayne Township, Auglaize County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 26, 2015

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$19,939	\$73,617		\$93,556
Charges for Services		8,304		8,304
Licenses, Permits and Fees	396			396
Intergovernmental	16,905	144,371	\$35,000	196,276
Earnings on Investments	85	14		99
Miscellaneous	1,806	5,880		7,686
Total Cash Receipts	<u>39,131</u>	<u>232,186</u>	<u>35,000</u>	<u>306,317</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	60,037	5,461		65,498
Public Safety		76,729		76,729
Public Works		98,918		98,918
Health		825		825
Capital Outlay			35,000	35,000
Total Cash Disbursements	<u>60,037</u>	<u>181,933</u>	<u>35,000</u>	<u>276,970</u>
Net Change in Fund Cash Balances	(20,906)	50,253		29,347
Fund Cash Balances, January 1	<u>49,738</u>	<u>345,622</u>		<u>395,360</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		376,077		376,077
Committed		19,798		19,798
Assigned	28,832			28,832
Fund Cash Balances, December 31	<u>\$28,832</u>	<u>\$395,875</u>	<u>\$0</u>	<u>\$424,707</u>

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

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$19,883	\$72,870	\$92,753
Charges for Services		10,438	10,438
Licenses, Permits and Fees	1,050		1,050
Intergovernmental	15,678	106,010	121,688
Earnings on Investments	120	20	140
Miscellaneous	2,288	3,781	6,069
Total Cash Receipts	<u>39,019</u>	<u>193,119</u>	<u>232,138</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	70,937	4,329	75,266
Public Safety	2,059	60,128	62,187
Public Works		53,110	53,110
Health	4,094	6,552	10,646
<b>Debt Service:</b>			
Principal Retirement		39,094	39,094
Interest and Fiscal Charges		3,270	3,270
Total Cash Disbursements	<u>77,090</u>	<u>166,483</u>	<u>243,573</u>
Net Change in Fund Cash Balances	(38,071)	26,636	(11,435)
Fund Cash Balances, January 1	<u>87,809</u>	<u>318,986</u>	<u>406,795</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		333,480	333,480
Committed		12,142	12,142
Assigned	49,738		49,738
Fund Cash Balances, December 31	<u>\$49,738</u>	<u>\$345,622</u>	<u>\$395,360</u>

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

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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, Auglaize 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, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:  
Ohio Township Association Risk Management Authority (OTARMA)

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Township values savings and deposit accounts 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

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

**Fire District Fund** - This fund receives property tax money for maintaining fire protection for the township.

**Fire and Ambulance Services Fund** - This fund receives property tax money for fire and ambulance services for the township.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

**Issue II Fund** - The Township received a grant from the State of Ohio for road resurfacing.

**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. 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 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 re-appropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**1. Non-spendable**

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

	<b>2014</b>	<b>2013</b>
Demand deposits	\$124,142	\$144,886
Other time deposits (savings and NOW accounts)	300,565	250,474
Total deposits	\$424,707	\$395,360

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

**2014 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$47,742	\$39,131	(\$8,611)
Special Revenue	226,395	232,186	5,791
Capital Projects	35,000	35,000	
Total	\$309,137	\$306,317	(\$2,820)

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$112,409	\$60,037	\$52,372
Special Revenue	566,929	181,933	384,996
Capital Projects	35,000	35,000	
Total	\$714,338	\$276,970	\$437,368

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$47,697	\$39,019	(\$8,678)
Special Revenue	226,183	193,119	(33,064)
Total	\$273,880	\$232,138	(\$41,742)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$136,877	\$77,090	\$59,787
Special Revenue	547,036	166,483	380,553
Total	\$683,913	\$243,573	\$440,340

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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.

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

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

**5. DEBT**

On September 22, 2009, the Township entered into a four year note with Kansas State Bank in the amount of \$72,073 at 4.79%, to finance the purchase of a new dump truck. The note is payable in four annual installments with interest due annually. The debt was fully repaid in 2013.

On January 29, 2009, the Township issued \$87,000 in Fire Truck Bonds to finance the purchase of a new fire truck. The bonds are payable annually over 10 years including interest at 4.625%. The debt was fully repaid in 2013.

**6. RETIREMENT SYSTEMS**

The Township's employees 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**7. RISK MANAGEMENT**

**A. Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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.

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**B. Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**C. 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, 2013 and 2014 (the latest information available):

	<b>2013</b>	<b>2014</b>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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.

<b>Contributions to OTARMA</b>	
<b>2013</b>	<b>2014</b>
\$13,765	\$13,869

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to 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 occurred or was reported prior to the withdrawal.

**8. RELATED PARTY TRANSACTIONS**

The Township has contracted with Turn-Er Green, a lawn care company, for cemetery sexton duties. The owner of Turn-Er Green is related to the Township's Fiscal Officer. The Township paid this company \$11,086 and \$9,058 for 2014 and 2013, respectively.

In addition, Turn-Er Green received, directly from funeral homes or family members of the decedent, fees for opening and closing of graves, which was estimated at approximately \$4,550 and \$5,250, for 2014 and 2013 respectively, which was not deposited with the Township as required.

The Township has also contracted with Lee Turner's Lawn Care Service for the mowing of five small cemeteries in 2014 and 2013. Lee Turner is related to the Township's Fiscal Officer. The Township paid him \$4,750 and \$4,250 for 2014 and 2013 respectively.

**9. SUBSEQUENT EVENTS**

On January 8, 2015 the Township entered into a lease purchase agreement for a 2014 International Truck and Boss plow from Rush Truck and Kalida Truck Equipment at a cost of \$81,367.60 to be leased for 4 years at a cost of 2.4% interest with annual payments of \$21,110.

**This page intentionally left blank**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Wayne Township  
Auglaize County  
P.O. Box 103  
Waynesfield, Ohio 45896

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Wayne Township, Auglaize County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 26, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2014-001, 2014-003, and 2014-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

***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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 26, 2015

WAYNE TOWNSHIP  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Material Weakness and Noncompliance**

**Trustee's Salary and Insurance Reimbursement Allocation**

**Ohio Rev. Code §505.24(C)** sets forth the method by which township trustees' compensation should be allocated. By summary, **Ohio Revised Code §505.24(C)** permits trustees to receive annual salaries instead of per diem payments. As the law existed prior to HB 153, this section of the Ohio Revised Code required townships to provide documentation to support amounts paid from funds other than the general fund.

Effective September 29, 2011, House Bill 153 modified **Ohio Rev. Code §505.24 (C)** so that by a unanimous vote, 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 as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

In 2013, there were several months of certifications for two Township Trustees that did not indicate the fund(s) to allocate the Trustee(s) service. Additionally, the insurance reimbursements paid to the Trustees in 2014 and 2013 did not follow the payroll allocation and were posted 100% to the Gasoline Tax Fund.

These errors resulted in the following adjustments for salary and insurance costs being made to the Township's records and financial statements:

**2014** –Decreased General Fund by \$3,853 and increased Gasoline Tax Fund by \$3,853.

**2013** –Decreased General Fund by \$14,929 and increased Gasoline Tax Fund by \$14,929.

Procedures should be implemented to provide that each payroll certification lists the General fund and any other fund's percentage to be allocated to that fund for the payment of wages. The Trustees' salaries should be posted in the UAN system according to the percentage allocation certified by the Trustees each month. All payroll benefits (OPERS, federal, state, and local taxes and insurance reimbursements) should also be posted according to payroll allocations.

## FINDING NUMBER 2014-002

### Noncompliance And Significant Deficiency

#### Cemetery Activity

**Ohio Rev. Code §507.04(A)** states, in pertinent part, that the township fiscal officer shall keep an accurate record of the township's accounts and transactions. The Township entered into a contract with Turn-Er Green Lawn Care LLC for a cemetery sexton to open and close graves, pour footers for tombstones, place veteran's markers, and to maintain the Willow Branch Cemetery. The owner of Turn-Er Green Lawn Care LLC is related to the Township's Fiscal Officer. The contract agreement states that the Township will pay for these services upon receipt and approval of an invoice.

Turn-Er Green Lawn Care LLC collected the revenues associated with these services rather than billing the Township. The approximate cemetery revenue collected directly from funeral homes or family members of the decedent by Turn-Er Green Lawn Care LLC for the years 2014 and 2013 was estimated at \$4,550 and \$5,250, respectively based on burial permits provided to us by the Township Fiscal Officer. This did not require an audit adjustment on the Township's records, but was posted the Summary of Unadjusted Differences for the Township.

The lack of proper procedures to monitor the cemetery activities could result in incorrect rates being charged or activity not being recorded on the financial statements and therefore did not provide for complete financial statements due to incomplete collection of township revenue and other accountability issues. Since the collection of cemetery revenue is the responsibility of the Township, and the revenue is considered public funds, all revenue associated with the cemetery should be deposited in the township treasury and recorded on the township books. In addition, the Trustees should be monitoring all activity of the Township, including the cemetery and assuring that all cemetery activity was properly collected and recorded accurately on the Township financial statements.

## FINDING NUMBER 2014-003

### Material Weakness

#### Bank to Book Reconciliations

Cash is the asset most susceptible to theft and misappropriation therefore appropriate controls over cash should exist at the Township. Monthly reconciliations between the book balances and the bank accounts is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institutions. Additionally, an accurate and complete reconciliation provides the Township with a picture of the financial position at month-end.

The book balance did not reconcile with the bank during any month in 2014 or 2013. In both 2014 and 2013, a variance existed in reconciling the bank statement to the book balance. The bank reconciliations indicated "other adjusting factors" and totaled \$5,581 at December 31, 2014 and \$5,088 at December 31, 2013 and no supporting documentation could be provided.

Unexplained bank to book reconciliation errors reduce accountability and increase the risk that irregularities will not be detected timely. Additionally, when the book balance is greater than the bank balance there is the impression that money collected has not been properly accounted for by the Township.

**FINDING NUMBER 2014-003  
(Continued)**

Bank reconciliations should be prepared timely and reviewed for accuracy. The reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. All un-reconciled balances should be researched to determine the source of the error. All reconciling items and errors should be corrected on the Township's accounting system following the completion of the reconciliation.

Support should be maintained for adjustments necessary to eliminate variances between the book balances and bank accounts. The Township Trustees should be provided with the monthly bank to book reconciliations for detailed review and, if appropriate, approval. Finally, the review and approval of the bank to book reconciliations should be documented in the minutes.

**FINDING NUMBER 2014-004**

**Material Weakness**

**Classification of Financial Activity**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The following reclassifications were made to the Township's fund balance classifications and are reflected in the financial statements:

- **General Fund** - General Fund balances in 2014 and 2013 of \$47,614 and \$64,667 respectively, were reclassified from Unassigned to Assigned due to subsequent year appropriations exceeding estimated receipts. (this was adjusted by the amounts in Finding 2014-001)
- **Special Revenue** - Road & Bridge fund balances in 2014 and 2013 of \$19,798 and \$12,142 respectively, were reclassified from Restricted to Committed due to the fact that the revenues were due to inside millage.

All transactions were posted to the general ledger; however, not all transactions were posted to the correct line item accounts or fund. The following items were not properly posted during 2014 and 2013:

- 2013 Homestead and Rollback revenues were posted as Property and Other Local Taxes revenues in the General, Road and Bridge, Fire District and Ambulance and Emergency Medical Services Funds in the amounts of \$3,230; \$1,161; \$5,231; and \$5,384 respectively, rather than as Intergovernmental revenue;
- 2014 Homestead and Rollback revenues were posted as Property and Other Local Taxes revenues in the General, Road and Bridge, Fire District and Ambulance and Emergency Medical Services Funds in the amounts of \$3,287; \$1,192; \$5,321; and \$5,477 respectively, rather than as Intergovernmental revenue;
- 2014 Property and Other Local Taxes revenue in the amount of \$14,028 was posted to the Permissive Motor Vehicle License Tax Fund rather than to the Ambulance and Emergency Medical Services Fund;
- 2013 Debt payments were posted as Public Works disbursements in the amount of \$15,453 for the Dump Truck Bonds in the Gasoline Tax Fund rather than as Principal Retirement and Interest and Fiscal Charges in the Gasoline Tax Fund of \$14,528 and \$925, respectively;

**FINDING NUMBER 2014-004  
(Continued)**

- 2013 Debt payments were posted as Public Safety disbursements in the amount of \$17,245 for the Fire Truck Note in the Fire District Fund instead of Principal Retirement and Interest and Fiscal Charges in the Fire District Fund for \$16,512 and \$733, respectively;
- 2013 Debt payment in the amount of \$9,666 for the Fire Truck Note was not recorded in the UAN system. Principal Retirement and Interest and Fiscal Charges should have been recorded as \$8,054 and \$1,612, respectively.

The accompanying financial statements and the township's records have been adjusted to correctly classify the items identified above.

The failure to correctly classify financial activity in the accounting system and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

The Township should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the Uniform Accounting Network (UAN) system to assist in the effective management and reporting of financial resources. The Township Fiscal Officer should review the Ohio Township Handbook – Appendix IV, Auditor of State Bulletins and other resources available for guidance in an effort to correctly classify receipts, expenditures, and fund balances. Additionally, the Fiscal Officer should review and implement requirements noted in GASB 54 and Auditor of State Bulletin 2011-004 and present governmental fund balances in accordance with current guidance. Finally, the Township officials should consider implementing procedures for periodic reviews of the financial records.

**Official's Response:**

We did not receive a response from Officials to the findings reported above.

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

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>
2002-001	Finding for Recovery	No	Finding has not be repaid by Fiscal Officer
2012-001	Classification of Revenues and Expenditures	No	See Finding 2014-004
2012-002	Ohio Rev. Code 507.04(A) – Failure to record receipts and expenditures related to opening and closing graves	No	See Finding 2014-002

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**WAYNE TOWNSHIP**

**AUGLAIZE 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 24, 2015**