



**Auditor of State
Betty Montgomery**

WAYNE TOWNSHIP
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2004	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Wayne Township
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 10, 2006

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the accompanying financial statement of Wayne Township, Knox County, Ohio (the Township) as of and for the year ended December 31, 2004. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statement presents for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 reformat its statement. Since this Township does not use GAAP to measure financial statement amounts, 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 statement referred to above for the year ended December 31, 2004 does 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances of Wayne Township, Knox County, Ohio as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 November 10, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 10, 2006

**WAYNE TOWNSHIP
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non- Expendable Trust Fund	
Cash Receipts:						
Local Taxes	\$27,114	\$26,720	\$7,840	\$0	\$0	\$61,674
Intergovernmental	24,787	93,079	0	112,242	0	230,108
Licenses, Permits, and Fees	7,957	0	0	0	0	7,957
Earnings on Investments	90	0	0	0	18	108
Other Revenue	22,773	9,000	0	0	0	31,773
Total Cash Receipts	82,721	128,799	7,840	112,242	18	331,620
Cash Disbursements:						
Current:						
General Government	55,114	7,099	0	0	0	62,213
Public Works	2,780	110,561	0	112,242	0	225,583
Health	956	0	0	0	0	956
Debt Service:						
Redemption of Principal	0	12,000	6,400	0	0	18,400
Interest and Fiscal Charges	0	352	2,009	0	0	2,361
Capital Outlay	717	0	0	12,000	0	12,717
Total Cash Disbursements	59,567	130,012	8,409	124,242	0	322,230
Total Receipts Over/(Under) Disbursements	23,154	(1,213)	(569)	(12,000)	18	9,390
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	0	0	0	12,000	0	12,000
Transfers-In	0	0	569	0	0	569
Transfers-Out	(569)	0	0	0	0	(569)
Total Other Financing Receipts/(Disbursements)	(569)	0	569	12,000	0	12,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	22,585	(1,213)	0	0	18	21,390
Fund Cash Balances, January 1 (Restated)	(470)	43,171	0	0	1,103	43,804
Fund Cash Balances, December 31	\$22,115	\$41,958	\$0	\$0	\$1,121	\$65,194

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

This page intentionally left blank.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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, Knox County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting 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).

This statement includes 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 its certificate 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.

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.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

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

General Note Retirement Fund - This fund receives tax money and is used to accumulate resources for the payment of note indebtedness.

4. Capital Projects Funds

These funds account for resources the Township accumulates to for capital outlay expenditures. The Township had the following significant Capital Projects Fund:

Public Works Commission Projects - This fund receives grant funding from the Ohio Public Works Commission for constructing, maintaining and repairing Township roads.

5. Fiduciary Funds (Trust and Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Non-Expendable Trust Fund - This fund receives interest income from bequests for the benefit of the Wayne Cemetery.

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.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2004 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use except for the principal of the non-expendable trust fund which is invested in a certificate of deposit. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2004</u>
Demand deposits	\$64,194
Certificates of deposit	<u>1,000</u>
Total deposits	<u>\$65,194</u>

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

3. RESTATEMENT OF BEGINNING FUND BALANCES

During 2004, the Township's Fiscal Officer elected to post proposed audit adjustments resulting from the 2003 audit. The effects of the adjustments recorded by the Fiscal Officer resulted in a restated beginning fund balance at January 1, 2004 in the Township's General Fund of (\$470) and a restated beginning fund balance at January 1, 2004 for Special Revenue Funds of \$43,171.

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,322	\$82,721	\$399
Special Revenue	127,907	128,799	892
Debt Service	8,680	8,409	(271)
Capital Projects	132,867	124,242	(8,625)
Non-Expendable Trust	0	18	18
Total	\$351,776	\$344,189	(\$7,587)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,671	\$60,136	\$14,535
Special Revenue	176,932	130,012	46,920
Debt Service	8,409	8,409	0
Capital Projects	132,867	124,242	8,625
Non-Expendable Trust	0	0	0
Total	\$392,879	\$322,799	\$70,080

5. 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
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEBT

The Township retired General Obligation Notes in 2004. These General Obligation Notes were issued in 1999 in the amount of \$32,000, and were issued to purchase a tractor. The Township paid principal and interest payments totaling \$8,409 to retire this debt.

The Township both issued and retired General Obligation Notes in 2004 to purchase a road maintenance vehicle and plow. These General Obligation Notes were issued in the amount of \$12,000 at an annual interest rate of 3.9%. The Township paid principal and interest payments totaling \$12,352 to retire this debt.

7. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Township as paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

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

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

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

Casualty Coverage

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

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

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

8. RISK MANAGEMENT (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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

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

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

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
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	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**WAYNE TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

8. RISK MANAGEMENT (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$10,552.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Wayne Township
Knox County
16560 Pinkley Road
Fredericktown, Ohio 43019

To the Board of Trustees:

We have audited the financial statement of Wayne Township, Knox County, Ohio (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated November 10, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item number 2004-001.

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

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 we must report under *Government Auditing Standards* which are described in the schedule of findings as finding numbers 2004-002, 2004-003 and 2004-004. In a separate letter to the Township's management dated November 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

November 10, 2006

**WAYNE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Reportable Condition - Ledger Postings

All local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements

The Township Fiscal Officer did not properly post revenues and expenditures to the Township's accounting ledgers in 2004. The following was noted:

- Intergovernmental revenue legally designated for the Road and Bridge Fund was posted to the General Fund.
- Intergovernmental revenue was posted as tax receipts in the Permissive Motor Vehicle fund.
- Proceeds of notes issued were posted as tax revenue in the Miscellaneous Capital Projects fund, rather than correctly classified as note proceeds, a non-operating receipt.
- Tax revenue received in the General Fund and Road and Bridge Fund was posted at the "net" amount, and the related expenditure for auditor and treasurer fees was not recorded to the ledgers.
- Debt payments were recorded as a "public works expense" or "capital outlay expense", rather than accurately reflected as principal and interest payments.
- Debt Service Fund tax revenue was incorrectly posted as miscellaneous revenue.
- Interest earnings from the Township's Cemetery Bequest certificate of deposit were recorded to the Township's General Fund, rather than being reflected as interest earned by the non-expendable trust.

The above resulted in the inability to readily reconcile amounts distributed from the State of Ohio and Knox County to the Township's records and necessary audits adjustments that materially affected the Township's fund balances in several funds. It is vitally important that receipts and expenditures be posted accurately to the correct fund and line item for Township management to track available cash fund balances.

We recommend that the Township's Fiscal Officer take steps to ensure the accurate posting of tax revenue, intergovernmental revenue, debt proceeds, interest receipts and all grant funding. In addition, tax receipts should be recorded at the gross amount, and the related auditor and treasurer fees should be accurately recorded as an expense. The Township Fiscal Officer should consult the Uniform Accounting Network handbook as questions arise over posting of various receipts and expenditures.

Officials' Response:

The Township has elected not to respond to this finding.

WAYNE TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-002

Noncompliance Citation - Posting Errors - Distribution of Revenue

Ohio Revised Code § 5705.10 states that all revenue from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In 2004, the Fiscal Officer posted \$3,000 of homestead and rollback revenue designated for the Road and Bridge Fund to the General Fund.

An adjustment to correct the error was posted by the Fiscal Officer to the accounting system, and is reflected in the 2004 financial statements.

Officials' Response:

The Township has elected not to respond to this finding.

FINDING NUMBER 2004-003

Noncompliance Citation - Interest Allocation

Ohio Revised Code Section 5705.131 allows a taxing authority to establish a non-expendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. Further, the statute provides that interest earned on principal of such a fund must be credited to the non-expendable trust fund to which the principal belongs.

The Township Fiscal Officer posted \$18 of interest earned by the principal of the non-expendable Cemetery Trust fund to the General Fund in 2004.

An adjustment to correct this error was posted by the Fiscal Officer to the accounting system, and is reflected in the 2004 financial statements.

Officials' Response:

The Township has elected not to respond to this finding.

WAYNE TOWNSHIP
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)

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

FINDING NUMBER 2004-004

Noncompliance Citation - Township Insurance

Ohio Revised Code § 505.60 provides that the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. It further states that a board of township trustees may reimburse a township officer or employee for the out-of-pocket premium attributable to that officer or employee for health care coverage provided through the employer of the spouse of the officer or employee if the officer or employee is denied coverage under a policy procured by the township under ORC §505.60, or if the officer or employee elects not to participate in the township's health care plan.

The amount of reimbursement is limited to "an amount equal to the average premium paid by the township for its officers and employees under policies it procures".

Ohio Revised Code § 505.601 provides that if a board of township trustees chooses not to provide health care coverage to its officers and employees in accordance with Ohio Revised Code § 505.60, the board of trustees may reimburse an officer or employee for the out-of-pocket premium attributable to that officer or employee for health care coverage provided through the employer of a spouse of the officer or employee. The board of trustees must establish a reimbursement policy via resolution and the policy should indicate "a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee".

Per Ohio Attorney General's Opinion No. 2005-038, the provisions of ORC § 505.601 and ORC § 505.60 are "mutually exclusive", and as such, if a township chooses to make coverage available to its officers and employees under §505.60, the township may not offer reimbursement specified in §505.601.

The Township has procured a dental insurance policy for its officials and employees under Ohio Revised Code §505.60. As a result, the Township may only provide reimbursement to officials or employees for out-of-pocket premiums under the provisions of §505.60, which limits the amount of the reimbursement to the average premium paid by the Township for its officers or employees for the insurance coverage the Township has procured. However, the Township has been reimbursing its officials and employees under the provision of §505.601 for their out-of-pocket health care costs, other than dental, based on a maximum monthly or yearly payment.

We recommend the Township work with its legal counsel to determine which statute, if any, suits their health insurance needs. Should the Township elect to continue to procure insurance coverage for its officials or employees, we recommend that the Township reimburse its officials or employees only in accordance with the provisions outlined in Ohio Revised Code § 505.60. The amount of the reimbursement should be based upon the average premium paid by the Township for its officers or employees under the policies that Township has procured. Conversely, should the Township elect to reimburse its officials and employees, we recommend that the Township reimburse its officials or employees only in accordance with the provisions outlined in Ohio Revised Code § 505.601.

**WAYNE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-004 (Continued)

Noncompliance Citation - Township Insurance (Continued)

Officials' Response:

The Township has elected not to respond to this finding.

WAYNE TOWNSHIP
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5705.41(D) – Certification of Expenditures	Yes	Fully Corrected.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WAYNE TOWNSHIP

KNOX 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
JANUARY 4, 2007**