

WAYNE TOWNSHIP

FAYETTE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Wayne Township
7347 State Route 753 SE
Greenfield, Ohio 45123

We have reviewed the *Independent Auditor's Report* of Wayne Township, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

December 30, 2008

This Page is Intentionally Left Blank.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	12
Schedule of Findings and Responses.....	14
Schedule of Prior Audit Findings.....	22

This Page is Intentionally Left Blank.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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

Independent Auditor's Report

Board of Trustees
Wayne Township
Fayette County
3819 Main Street SE
Washington Court House, Ohio 43160

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 statements. 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 statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years 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 years ended December 31, 2007 and 2006. 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 September 30, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 30, 2008

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 45,366	\$ 30,328	\$ -	\$ 75,694
Intergovernmental Receipts	50,796	98,464	-	149,260
Special Assessments	-	4,998	-	4,998
Licenses, Permits and Fees	505	216	-	721
Earnings on Investment	2,427	-	-	2,427
Miscellaneous	7,017	2,953	-	9,970
	<u>106,111</u>	<u>136,959</u>	<u>-</u>	<u>243,070</u>
<u>Disbursements</u>				
Current:				
General Government	98,303	8,748	-	107,051
Public Safety	-	16,406	-	16,406
Public Works	-	126,532	-	126,532
Health	14,036	2,409	991	17,436
Debt Services:				
Principal Payments	-	6,732	-	6,732
Interest Payments	-	1,021	-	1,021
	<u>112,339</u>	<u>161,848</u>	<u>991</u>	<u>275,178</u>
 Total Receipts Over (Under) Disbursements	 (6,228)	 (24,889)	 (991)	 (32,108)
 Fund Cash Balance, January 1	 <u>51,840</u>	 <u>137,108</u>	 <u>5,262</u>	 <u>194,210</u>
Fund Cash Balance December 31	<u>\$ 45,612</u>	<u>\$ 112,219</u>	<u>\$ 4,271</u>	<u>\$ 162,102</u>

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

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 46,394	\$ 30,585	\$ -	\$ 76,979
Intergovernmental Receipts	20,790	102,387	-	123,177
Special Assessments	-	-	-	-
Licenses, Permits and Fees	693	216	-	909
Earnings on Investment	3,813	-	-	3,813
Miscellaneous	831	880	-	1,711
Total Cash Receipts	<u>72,521</u>	<u>134,068</u>	<u>-</u>	<u>206,589</u>
<u>Disbursements</u>				
Current:				
General Government	91,247	703	-	91,950
Public Safety	-	34,443	-	34,443
Public Works	-	95,500	-	95,500
Health	16,553	85	-	16,638
Debt Services:				
Principal Payments	-	6,483	-	6,483
Interest Payments	-	1,261	-	1,261
Total Cash Disbursements	<u>107,800</u>	<u>138,475</u>	<u>-</u>	<u>246,275</u>
Total Receipts Over (Under) Disbursements	(35,279)	(4,407)	-	(39,686)
Fund Cash Balance, January 1	<u>87,119</u>	<u>141,515</u>	<u>5,262</u>	<u>233,896</u>
Fund Cash Balance December 31	<u>\$ 51,840</u>	<u>\$ 137,108</u>	<u>\$ 5,262</u>	<u>\$ 194,210</u>

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

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Wayne Township of Fayette County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including street maintenance services.

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 basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Township invests all available funds, except the Fiduciary Funds, in an interest – bearing checking account with a local commercial bank. The Fiduciary Fund's assets are invested in U.S Savings bonds. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts and disbursements, respectively. Savings bonds are reported 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:

Motor Vehicle license Tax Fund – This fund receives motor vehicle tax money to pay for constructing, maintaining, and repairing Township roads.

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

Fire Levy Fund – This fund receives property tax money to pay for providing fire protection to township residents.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Permissive Motor Vehicle license Fund – This fund receives proceeds from the motor vehicle license tax levied by Fayette County to pay for maintaining and repairing Township roads.

3. Permanent Fund

These funds are used to account for resources restricted by legally binding trust agreements. This fund accounts for a combination of dollars, some of which are for the operation and maintenance of the cemetery as a whole and some of which are restricted to benefiting individual lots.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 commitments are made. Encumbrances outstanding at year end are carried-over, and need not be re-appropriated. The Township did not have outstanding encumbrances at December 31, 2007 and 2006.

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

F. Property, Plant, and Equipment

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

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$ 160,102	\$192,210
U.S Savings Bonds	2,000	2,000
Total deposits and investments	\$ 162,102	\$194,210

Deposits: Deposits are either 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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 64,120	\$ 106,111	\$ 41,991
Special Revenue	112,200	136,959	24,759
Permanent	45	\$ -	(45)
Total	\$ 176,365	\$ 243,070	\$ 66,705

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 111,429	\$ 112,339	\$ (910)
Special Revenue	237,960	161,848	76,112
Permanent	5,308	991	4,317
Total	\$ 354,697	\$ 275,178	\$ 79,519

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 60,090	\$ 72,521	\$ 12,431
Special Revenue	108,845	134,068	25,223
Permanent	45	-	(45)
Total	\$ 168,980	\$ 206,589	\$ 37,609

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

3. BUDGETARY ACTIVITY (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 131,588	\$ 107,800	\$ 23,788
Special Revenue	250,360	138,475	111,885
Permanent	5,308	-	5,308
Total	\$ 387,256	\$ 246,275	\$ 140,981

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Fire Equipment Bond	\$ 21,785	3.8%

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

	Principal	Interest
Year Ended December 31:		
2008	\$ 6,990	\$ 762
2009	7,258	494
2010	7,537	215
Total	\$ 21,785	\$ 1,471

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

5. RETIREMENT SYSTEMS

The Township's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries.

The Township has not paid all contributions required through December 31, 2007. The employer's liability was approximately six months behind and the Township had to pay interest and penalties on these late payments in both 2007 and 2006.

The Township's part time fire fighters contribute to Social Security. Contribution rates for 2006 and 2007 were 6.2% for employee and employer.

6. RISK MANAGEMENT

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

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

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

Casualty Coverage

For an Occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,695,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage

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

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

6. RISK MANAGEMENT (Continued)

Property Coverage (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 miller per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to the annual aggregate loss payments. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 (latest information available) was \$2,014,548.

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

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

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 contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become 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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,706	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	<u>\$29,852,869</u>	<u>\$ 29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$28,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

6. RISK MANAGEMENT (CONTINUED)

Contributions to OTARMA

2006	\$9,489
2007	\$8,796

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

7. COMPLIANCE

- (1) Contrary to Ohio Rev. Code Section 117.38 the Township did not file annual reports with the Auditor of state within 60 days of the fiscal year end in 2007.
- (2) Contrary to Ohio Rev. Code Section 145.51 the employer's portion of the OPERS was not paid on a quarterly basis in both 2006 and 2007.
- (3) Contrary to Ohio Rev. Code Section 505.24 (C) Trustees were paid from other funds during the audit period without proper documentation.
- (4) Contrary to Ohio Rev. Code Section 507.03 the Township Fiscal Officer was insufficiently bonded in 2006 and 2007.
- (5) Contrary to Ohio Rev. Code Section 5705.39 the Township's appropriations for the Special Assessment Flakes Ford Lighting Fund exceeded total estimated revenue by \$1,242 for the year ended December 31, 2006.
- (6) Contrary to Ohio Rev. Code Section 5705.41 (B) the Township Expenditures exceeded appropriations at the legal level of control in the General Fund by \$5,000 and \$941 in 2007 and 2006 respectively.
- (7) Contrary to Ohio Rev. Code Section 5705.41 (D) the Township did not properly certify the availability of funds prior to obligation for 94% of purchases tested in 2006 and 90% of the purchases tested in 2007.
- (8) Contrary to Ohio Rev. Code Section 5747.06 the Township did not remit its State income tax withholdings each quarter as required for years ended December 31, 2006 and 2007.
- (9) Contrary to 26 U.S.C Section 3101(A) The Township did not remit its federal income tax withholdings on a timely basis for 2006 and 2007 audit period which resulted in the Township being assessed penalties and late fees.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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

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

Board of Trustees
Wayne Township
Fayette County
3819 main Street SE
Washington Court House, Ohio 43160

We have audited the accompanying financial statements of Wayne Township (the Township), Fayette County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 30, 2008 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-010, 2007-011, 2007-012, 2007-013, 2007-014, and 2007-015.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Wayne Township
Fayette County

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

Internal Control Over Financial Reporting (Continued)

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following weaknesses described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2007- 010, 2007-012 and 2007-015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed nine instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, 2007-007, 2007-008, and 2007-009.

We noted a certain noncompliance matter that we reported to the Township's management in a separate letter dated September 30, 2008.

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

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

September 30, 2008

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 117.38

Ohio Revised Code Section 117.38 mandates cash basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The public office must publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the Chief Fiscal Officer.

The Township did not file annual reports with the Auditor of state within 60 days of the fiscal year end in 2007.

Financial information is vital to an organization’s management in its continued effort to effectively make decision to guide the organization. It is also important for the management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and the schedules used to make these management decisions.

The Township should file their annual reports with the Auditor of State as mandated by the Ohio Revised Code, and should also publish a notice of availability for review of said report.

Township Response:

The Township Fiscal Officer will file the annual reports on time with the Auditor of State and publish notice when done.

FINDING NUMBER 2007-002

Noncompliance Citation - Ohio Rev. Code Section 145.51

The Ohio Revised Code Section 145.51 requires each employer to a percentage of the earnable salary of all contributors in their employment to OPERS. Ninety days after the end of a quarterly period, any amounts that remain unpaid are subject to a penalty for the late payment in the amount of five percent. In addition, interest on past due amounts and penalties may be charged.

The employer’s portion of the OPERS was not paid on a quarterly basis in both 2006 and 2007.

If the OPERS is not paid on a quarterly basis the Township will be assessed penalties and interest on the unpaid balance and cause the unnecessary expenditures of public funds for late fees.

The Township should ensure that all OPERS payments are made on a quarterly basis.

Township Response:

Beginning April 2008 OPERS has been brought up to date and will be paid on time.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 505.24 (C) and OAG Opinion 2004-036

The Ohio Rev. Code Section 505.24 (C) and OAG Opinion 2004-036 requires township Trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the nature of services rendered. If Trustee compensation is paid solely from the general fund, documentation of hours spent by service is not required.

Trustees were paid from the Gas Tax fund in 2007 and 2006 without proper documentation. The financial statements have been adjusted due to this non-compliance.

We recommend the Township establish administrative procedures to document the proportionate amount of Trustee salaries to be charged to other township funds based on the kind of services rendered.

Township Response:

The Trustees will adopt necessary administrative procedures to allow proper documentation of services rendered by fund and the Township has agreed to make the adjustments to the financial statements suggested by the auditor.

FINDING NUMBER 2007-004

Noncompliance Citation – Ohio Rev. Code Section 507.03

Ohio Revised Code Section 507.03 states that The township fiscal officer, before entering upon the discharge of official duties, shall give a bond, payable to the board of township trustees, with sureties approved by the board, in the sum determined by the board but not less than the sum provided in this section, and conditioned for the faithful performance of the duties of the office of township fiscal officer.

This bond shall be recorded by the township fiscal officer, filed with the county treasurer, and carefully preserved.

Although the Township Fiscal Officer was bonded in 2006 and 2007, the bonding amount was insufficient in reference to O.R.C 507.03

Having the Township Fiscal Officer insufficiently bonded may lead to the Township incurring uninsured losses.

We recommend that the Township determine a proper bonding amount following O.R.C 507.03 guidelines and require that upon taking office the Fiscal Officer be bonded for that amount.

Township Response:

The Township will determine a proper bonding amount following O.R.C 507.03 guidelines and require that upon taking office the Fiscal Officer be bonded for that amount.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-005

Noncompliance Citation – Ohio Rev. Code Section 5705.39

Ohio Rev. Code Section 5705.39 states total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Contrary to this requirement, the appropriations for the Special Assessment Flakes Ford Lighting Fund exceeded total estimated revenue by \$1,242 in 2006 and 2007.

The Township should monitor the budgetary financial reports throughout the year and amend its budgeted resources and appropriations, as needed by resolution.

Township Response:

Former Fiscal Officer's term ended April 2008, since then, Appropriations are being approved by the County Auditor prior to expenditures

FINDING NUMBER 2007-006

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at the legal level of control in the General Fund by \$5,000 and \$941 in 2007 and 2006 respectively.

Failure to limit expenditures by approving appropriations and obtaining a revised certificate of estimated resources by the County Auditor could result in deficit spending and deficit fund balances.

The Fiscal Officer should deny payment requests and not certify the availability of Funds exceeding appropriations and amending estimated resources, if necessary.

Township Response:

Former Fiscal Officer's term ended April 2008, since then, Appropriations are being approved by the County Auditor prior to expenditures

WAYNE TOWNSHIP
FAYETTE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-007

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township did not properly certify the availability of funds prior to obligation for 94% of purchases tested in 2006 and 90% of the purchases tested in 2007

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Township Response:

Effective 4/1/08, purchase order requirements are being met.

FINDING NUMBER 2007-008

Noncompliance Citation - Ohio Rev. Code Section 5747.06

The Ohio Revised Code Section 5747.06 requires every employer to deduct and withhold from employees’ compensation, a state income tax. Ohio Revised Code Section 5747.97 requires an employer to make the payment of un-deposited taxes each quarter of the year.

The Township did not remit their State Income Taxes each quarter as required. In May 2007, there was a payment made for 2006 taxes in the amount of \$700. The Township did not pay State Income Taxes withheld up until June 2008.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-008 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5747.06 (Continued)

Failure to remit the state tax withholding will result in the assessment of penalties and interest against the Township.

The fiscal officer should submit payments on a timely basis to avoid the unnecessary expenditure of public funds for late fees.

Township Response:

Beginning 4/2008 State Income taxes have been brought up to date (still settling years 2003 and 2004 as of 9/29/08). State taxes will be remitted on time.

FINDING NUMBER 2007-009

Noncompliance Citation – 26 U.S.C Section 3101(A)

26 U.S.C Section 3101(A) generally imposes on the income of every individual a 6.2% federal insurance contribution act tax (Social Security) on the wages received by individuals with respect to employment. 26 U.S.C Section 3101(b) generally imposes on the income of every individual a Medicare tax of 1.45% of the wages received by him with respect to employment. 26 U.S.C Section 3102(a) provides that the tax imposed by section 3111 shall be collected by the employer, by deducting the amount of the tax from the wages as abs when paid. 26 U.S.C Section 3102 (b) provides that every employer required to deduct the tax shall be liable for the payment of such tax.

26 U.S.C Section 3111(a) generally requires every employer to pay 6.2% social security tax on wages paid to employees. 26 U.S.C. Section 3111(b) generally requires every employer to pay a 1.45% Medicare taxes on wages paid to employees. 26 U.S.C Section 3402 (a) (1) generally provides that every employer making payment of wages shall deduct and withhold upon such wages federal income taxes.

The Township did not remit their federal income taxes on a timely basis for 2006 and 2007 audit period which resulted in the Township being assessed penalties and late fees.

The failure of the Township to remit withholdings and pay the employer share of taxes on a timely basis may result in the IRS assessing penalties and interest.

The Fiscal Officer should remit taxes on a timely basis to avoid the unnecessary expenditure of public funds for penalties and interest.

Township Response:

Former Fiscal Officer ended term 3/2008. Effective 4/2008 IRS has been brought up to date (still settling 2002 and 2003 payments as of 9/30/08).

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-010

Significant Deficiency/Material Weakness – System Discrepancies

Dates of the checks, the payees, the check numbers, and the amounts should be the same as the data posted to the check register. Any unusual relationships with any of these factors might indicate that:

- Checks are being held for an unusual period before being issued
- Checks are being issued before being recorded
- Checks are being altered

Warrants dates did not match the data from the check register in 35% of the items tested from 2006, and warrant numbers did not match in 38% of the items tested from 2007.

This may lead to deficient spending or other budgetary issues. It also may lead to the misappropriation of the Township's assets.

The Township should implement procedures to ensure that all checks agree to the data from the check register.

Township Response:

Former Fiscal Officer did not use UAN software, rather wrote checks by hand through the year. UAN software is in use effective 4/1/08.

FINDING NUMBER 2007-011

Significant Deficiency - Payroll Procedures

In 2007 and 2006, timesheets were not signed by a supervisor prior to payment. Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

All timesheets including upper management's, should have supervision to ensure the accuracy of hours worked. As well all timesheets should be dated to document the date and amount of work performed for appropriation purposes.

We recommend the Township develop and adopt appropriate procedures to ensure that all timesheets are properly reviewed and authorized.

Township Response:

Payroll is now processed through UAN software effective 4/1/08. Timecards are signed by trustees, and payroll reports including withholding checks are printed through UAN software.

WAYNE TOWNSHIP
FAYETTE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-012

Significant Deficiency/ Material Weakness - Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Township erroneously posted tax, intergovernmental and miscellaneous receipts. Debt payments were also not clearly coded as interest and principal. This required reclassifications to properly present the activities of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Effective 4/2008, Fiscal Officer presents financial information for Trustees review at monthly meetings: Fund Status, Appropriation Status, Revenue Status and Bank Reconciliation from UAN software for township accounts.

FINDING NUMBER 2007-013

Significant Deficiency- Firemen's Pay

The "volunteer" firemen were paid \$ 7.00 per hour for runs made during 2006 and 2007. Social Security or OPERS retirement and Medicare withholdings were made, and the earnings were reported on W-2 statements. However, minutes record did not include a resolution setting this pay rate, the amounts paid were not included in the payroll ledger, and documentation of the hours worked was not attached to the vouchers.

Failure to set the pay in the minutes and attach documentation to the vouchers increases the risk that incorrect pay rates could be made or that pay could be made for hours not worked. The pay rate should be set by the trustees by resolution in the minute records and documentation for the hours worked should be attached to the pay vouchers.

Township Response:

The Township trustees will sign time sheet and pass by resolution, the rate of pay for firemen.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2007-014

Significant Deficiency – Cemetery Bequest Funds

The Township has three cemetery bequests: The William Rodgers Bequest, Grace McHenry Bequest, and the Margret Murray Bequest. The Township has maintained the bequests as one fund in the accounting system and reported it as an non-expandable trust fund in the Township’s annual financial report. We reviewed the original bequest documents and found that the bequests are all non expendable trust.

By maintaining these bequests with the other bequests in one fund, the Township increases the risk that the expenditures mandated by one bequest be made for others.

To assure compliance with the provisions of this bequest, the Township should establish a non-expandable trust fund for each bequest on the accounting records.

Township Response:

Bonds for Murray and McHenry were cashed in as of 8/2008 as they were no longer bearing interest. Fiscal Officer will establish non-expendable trust funds.

FINDING NUMBER 2007-015

Significant Deficiency /Material Weakness - Manual Checks

Instead of Printed checks, the Township only issues manual checks for cash disbursements.

Printed checks decrease the risk of entity personnel overriding established approval procedures for transactions. The absence of control may lead to deficient spending and other budgetary issues of the Township.

The Township should only issue printed checks for all cash disbursements.

Township Response:

The Township is now using the UAN system to process all checks.

**WAYNE TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Years Ended December 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Revised code 507.09 – Township Clerk compensation	Yes	N/A
2005 - 002	Internal Control	Yes	N/A
2005 - 003	Revised code 133.32(A) Expenditures from the wrong fund	Yes	N/A
2005 - 004	Revised code 145.51	No	Reissued as finding # 2007 - 002
2005 -005	Revised code 515.08 Special assessment receipt misclassification	Yes	
2005-006	Revised code 4503.02 Tax revenue misclassification	No	Reissued as finding # 2007 - 012
2005-007	Revised code 4504.05 Motor vehicle license tax revenue misclassification	No	Reissued as finding # 2007-012
2005 - 008	Revised code 5705.07 Fire Tax revenue misclassification	No	Reissued as finding # 2007 – 012
2005 -009	Revised code 5705.41(D) Certification of funds prior to expenditures	No	Reissued as finding # 2007 – 007
2005-010	Revised Code 5735 Gasoline Tax distribution misclassification	Yes	N/A
2005 - 011	Revised Code 5747.06 State tax withholdings	No	Reissued as finding # 2007 - 008
2005 - 012	Ohio Constitution XII, Section 5a Ohio Constitution and 1982 Op. Atty Gen No.82-031 Interest Classification	Yes	N/A
2005- 013	26 U.S.C Section 3101(a) IRS Tax Withholdings	No	Reissued as finding # 2007 - 009



Mary Taylor, CPA
Auditor of State

WAYNE TOWNSHIP

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 13, 2009