



**Auditor of State
Betty Montgomery**

WAYNE TOWNSHIP
MUSKINGUM 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
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, 2003.....	6
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>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Wayne Township
Muskingum County
5550 Cutler Lake Road
Blue Rock, Ohio 43720

To the Board of Township 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 government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 6, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Wayne Township
Muskingum County
5550 Cutler Lake Road
Blue Rock, Ohio 43720

To the Board of Township Trustees:

We have audited the accompanying financial statements of Wayne Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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 statements present for 2004 (and 2003), 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 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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 statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Wayne Township, Muskingum County, as of December 31, 2004 and 2003, 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 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 December 6, 2005, 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

December 6, 2005

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**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**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$43,353	\$233,104	\$	\$	\$276,457
Intergovernmental	51,437	222,229			273,666
Charges for Services	16,629				16,629
Licenses, Permits, and Fees		2,400			2,400
Earnings on Investments	6,660	215		4	6,879
Other Revenue	8,400	8,918			17,318
	<u>126,479</u>	<u>466,866</u>	<u>0</u>	<u>4</u>	<u>593,349</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	74,395	2,201			76,596
Public Safety	22,990	6,338			29,328
Public Works	15,865	186,195			202,060
Health	1,750				1,750
Capital Outlay	13,500	150,398			163,898
	<u>128,500</u>	<u>345,132</u>	<u>0</u>	<u>0</u>	<u>473,632</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,021)</u>	<u>121,734</u>	<u>0</u>	<u>4</u>	<u>119,717</u>
Fund Cash Balances, January 1	<u>172,494</u>	<u>681,369</u>	<u>57</u>	<u>2,296</u>	<u>856,216</u>
Fund Cash Balances, December 31	<u>\$170,473</u>	<u>\$803,103</u>	<u>\$57</u>	<u>\$2,300</u>	<u>\$975,933</u>

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

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$40,206	\$224,011	\$	\$	\$264,217
Intergovernmental	88,245	123,181			211,426
Charges for Services	11,891				11,891
Licenses, Permits, and Fees		2,025			2,025
Earnings on Investments	8,062	804		5	8,871
Other Revenue	338	3,199			3,537
Total Cash Receipts	<u>148,742</u>	<u>353,220</u>	<u>0</u>	<u>5</u>	<u>501,967</u>
Cash Disbursements:					
Current:					
General Government	73,940	1,918			75,858
Public Safety	17,803	2,687			20,490
Public Works	8,415	168,250			176,665
Health	1,050				1,050
Capital Outlay	28,057	70,265			98,322
Total Cash Disbursements	<u>129,265</u>	<u>243,120</u>	<u>0</u>	<u>0</u>	<u>372,385</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,477</u>	<u>110,100</u>	<u>0</u>	<u>5</u>	<u>129,582</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	150				150
Total Other Financing Receipts/(Disbursements)	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>19,627</u>	<u>110,100</u>	<u>0</u>	<u>5</u>	<u>129,732</u>
Fund Cash Balances, January 1	<u>152,867</u>	<u>571,269</u>	<u>57</u>	<u>2,291</u>	<u>726,484</u>
Fund Cash Balances, December 31	<u>\$172,494</u>	<u>\$681,369</u>	<u>\$57</u>	<u>\$2,296</u>	<u>\$856,216</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$80,456</u>	<u>\$0</u>	<u>\$0</u>	<u>\$80,456</u>

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

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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, Muskingum County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Harrison Township Emergency Medical Services to provide ambulance 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 accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

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

Fire District Fund – This fund receives property tax money for training, equipment, maintenance of equipment, and supplies for the Township Fire Department.

Federal Emergency Management Agency Fund – This fund receives grant money from the Federal Government for repair and replacement of Township property destroyed by natural disaster.

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

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

Note Retirement Fund – This fund was established to accumulate resources for, and the payment of, long-term debt principal, interest and related costs for debt issued by the Township. The Township has retired all of its debt but the fund still has a balance.

4. Fiduciary Fund (Trust Fund)

This fund accounts for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Mast Cemetery Bequest Fund – This fund receives interest from principal that is invested in a savings account for the upkeep of the Township cemetery.

D. 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not properly encumber all commitments as required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$975,933	\$856,216

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,160	\$126,479	\$38,319
Special Revenue	414,915	466,866	51,951
Fiduciary	15	4	(11)
Total	\$503,090	\$593,349	\$90,259

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$265,194	\$128,500	\$136,694
Special Revenue	1,091,330	345,132	746,198
Fiduciary	2,311	0	2,311
Total	\$1,358,835	\$473,632	\$885,203

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,624	\$148,892	\$58,268
Special Revenue	394,710	353,220	(41,490)
Fiduciary	15	5	(10)
Total	\$485,349	\$502,117	\$16,768

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$243,491	\$129,265	\$114,226
Special Revenue	961,979	323,576	638,403
Fiduciary	2,306	0	2,306
Total	\$1,207,776	\$452,841	\$754,935

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General Fund, Gasoline Tax Fund and Federal Emergency Management Agency Fund for the year ended December 31, 2003. Budgetary expenditures exceeded appropriation authority at the legal level of control in the General Fund and Gasoline Tax Fund for the year ended December 31, 2004. Finding 2004-002 in the Schedule of Findings provides further details on this matter.

Also, contrary to Ohio law, appropriations as approved by the Board did not agree to the appropriations entered into the appropriations ledger for the year ended December 31, 2003 in the Federal Emergency Management Agency Fund by \$3,148.

4. PROPERTY TAX

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

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.

5. RETIREMENT SYSTEM

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

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RETIREMENT SYSTEM (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

The Township is insured with the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. This risk pool membership is further disclosed in note 7 to the financial statements. The following risks are covered by OTARMA:

- Comprehensive property and general liability;
- Automobile liability and physical damage;
- Wrongful acts;
- Fire department legal liability and physical damage and property; and
- Bonding of public officials.

The Township also provides health, accidental death and disability, life and cancer insurance coverage to its officials through a private carrier.

7. RISK POOL MEMBERSHIP

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. CONTINGENT LIABILITIES

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



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
Muskingum County
5550 Cutler Lake Road
Blue Rock, Ohio 43720

To the Board of Township Trustees:

We have audited the financial statements of Wayne Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 6, 2005, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003.

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 conditions described are material weaknesses. In a separate letter to the Township's management dated December 6, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 6, 2005.

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



Betty Montgomery
Auditor of State

December 6, 2005

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

During 2003 and 2004, the Township Clerk posted line item appropriation amendments to various funds each year. However, not all of these amendments were approved by the Board of Trustees in the minutes, nor certified to the County Auditor. Variances existed between the amount approved by the legislative body and the amount posted to the accounting system as follows:

December 31, 2003:

Fiscal Year	Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
2003	1000-110-111	\$9,122	\$11,387	(\$2,265)
2003	1000-220-599	\$15,000	\$13,500	\$1,500
2003	1000-330-360	\$20,000	\$17,435	\$2,565
2003	1000-410-599	\$1,000	\$1,300	(\$300)
2003	1000-760-740	\$1,000	\$2,500	(\$1,500)
2003	2021-330-111	\$9,122	\$10,122	(\$1,000)
2003	2021-330-211	\$3,000	\$3,300	(\$300)
2003	2021-330-599	\$2,815	\$1,515	\$1,300
2003	2901-330-599	\$0	\$3,148	(\$3,148)

December 31, 2004:

Fiscal Year	Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
2004	1000-110-111	\$9,332	\$9,632	(\$300)
2004	1000-110-314	\$2,500	\$4,500	(\$2,000)
2004	1000-110-315	\$2,000	\$0	\$2,000
2004	1000-330-190	\$20,000	\$4,300	\$15,700
2004	1000-330-599	\$1,000	\$700	\$300
2004	1000-410-599	\$1,500	\$2,200	(\$700)
2004	1000-760-710	\$0	\$15,000	(\$15,000)
2004	2021-330-111	\$9,332	\$9,832	(\$500)
2004	2021-330-360	\$40,000	\$39,500	\$500
2004	2031-330-111	\$9,332	\$9,832	(\$500)
2004	2031-330-599	\$25,500	\$25,000	\$500

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-001 (Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.40 (Continued)

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget versus actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Board of Trustees.

We recommend the Township Board of Trustees approve all appropriation amendments. The Clerk should record approvals of appropriation amendments in the Board's minutes and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the required approvals have been obtained.

FINDING NUMBER 2004-002

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2003, expenditures exceeded appropriations as follows:

Fiscal Year	Fund/Line Item	Approved Appropriations	Actual Expenditures	Variance
2003	1000-110-111	\$9,122	\$10,566	\$1,444
2003	1000-410-599	\$1,000	\$1,050	\$50
2003	1000-760-740	\$1,000	\$ 2,112	\$1,112
2003	2021-330-111	\$9,122	\$ 9,704	\$582
2003	2021-330-211	\$3,000	\$ 3,111	\$111
2003	2901-330-599	\$0	\$ 3,148	\$ 3,148

At December 31, 2004, expenditures exceeded appropriations as follows:

Fiscal Year	Fund/Line Item	Approved Appropriations	Actual Expenditures	Variance
2004	1000-110-314	\$2,500	\$2,689	\$189
2004	1000-410-599	\$1,500	\$1,750	\$250
2004	1000-760-710	\$0	\$13,500	\$13,500
2004	2021-330-111	\$9,332	\$9,632	\$300

Expenditures also exceeded appropriations throughout the year in 2003 and 2004. In both years this occurred because unauthorized amendments to appropriations were posted to the accounting system. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

WAYNE TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-002 (Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.41(B) (Continued)

We recommend the Board of Township Trustees and the Township Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Township Clerk should deny requests for payment when appropriations are not available.

FINDING NUMBER 2004-003

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

WAYNE TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-003 (Continued)

Noncompliance Citation and Reportable Condition - Ohio Rev. Code § 5705.41(D)(1) (Continued)

- 3. Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 37 percent of the expenditures tested in 2003 and 46 percent in 2004 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures. In addition, we noted the Township issued blanket certificates after September 26, 2003 for 20 percent of the expenditures tested in 2003 and 42 percent in 2004 of the expenditures tested without establishing a limit by resolution or ordinance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used with approval by the legislative body in excess of \$3,000.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**WAYNE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	The Township did not comply with Ohio Rev. Code § 5705.40 – Approved amendments to appropriations.	No	Re-issued. Finding is included in current year Schedule of Findings as item 2004-001.
2002-002	The Township did not comply with Ohio Rev. Code § 5705.41(B) – Expenditures exceeding appropriations.	No	Re-issued. Finding is included in current year Schedule of Findings as item 2004-002.
2002-003	The Township did not comply with Ohio Rev. Code § 5705.41(D) – Prior certification of purchase commitments.	No	Re-issued. Finding is included in current year Schedule of Findings as item 2004-003.
2002-004	The Township did not properly post the budgeted receipts to the accounting system.	No	Re-issued in the Management Letter.



**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

MUSKINGUM 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
FEBRUARY 9, 2006**