



OHIO AUDITOR OF STATE
KEITH FABER



**WAYNE TOWNSHIP
AUGLAIZE COUNTY
DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Report on the Financial Statements, Internal Control, and Compliance.....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	3
Notes to the Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017	11
Notes to the Financial Statements For the Year Ended December 31, 2017	13
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management).....	35

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

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

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of Wayne Township, Auglaize County, (the Township), as of and for the years ended December 31, 2018 and 2017. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2018-016 through 2018-018 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2018-001 through 2018-015.

Township's Response to Findings

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

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

Keith Faber
Auditor of State
Columbus, Ohio

April 7, 2020

Wayne Township
Auglaize County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$24,677	\$78,794		\$103,471
Charges for Services	0	8,879		8,879
Licenses, Permits and Fees	939	3,200		4,139
Intergovernmental	27,381	154,039	\$40,600	222,020
Earnings on Investments	511	120		631
Miscellaneous	4,277	2,857		7,134
<i>Total Cash Receipts</i>	<u>57,785</u>	<u>247,889</u>	<u>40,600</u>	<u>346,274</u>
Cash Disbursements				
Current:				
General Government	50,253	0	0	50,253
Public Safety	560	68,598	0	69,158
Public Works	0	116,276	0	116,276
Health	84	17,934	0	18,018
Capital Outlay	0	24,960	40,600	65,560
Debt Service:				
Principal Retirement	0	20,632	0	20,632
Interest and Fiscal Charges	0	478	0	478
<i>Total Cash Disbursements</i>	<u>50,897</u>	<u>248,878</u>	<u>40,600</u>	<u>340,375</u>
Excess of Receipts Over (Under) Disbursements	6,888	(989)	0	5,899
<i>Fund Cash Balances, January 1</i>	<u>(20,688)</u>	<u>601,070</u>	<u>0</u>	<u>580,382</u>
Fund Cash Balances, December 31				
Restricted	0	566,000	0	566,000
Committed	0	34,081	0	34,081
Unassigned (Deficit)	<u>(13,800)</u>	<u>0</u>	<u>0</u>	<u>(13,800)</u>
<i>Fund Cash Balances (Deficit), December 31</i>	<u><u>(\$13,800)</u></u>	<u><u>\$600,081</u></u>	<u><u>\$0</u></u>	<u><u>\$586,281</u></u>

See accompanying notes to the basic financial statements.

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Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Auglaize County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool.

Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund - The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

EMS Fund - The EMS fund accounts for property taxes restricted for the township's emergency medical services operations.

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Budgetary Process

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

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

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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Township values savings and deposit accounts at cost.

Capital Assets

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
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,608	\$57,785	\$4,177
Special Revenue	288,515	247,889	(40,626)
Capital Projects	40,600	40,600	0
Total	\$382,723	\$346,274	(\$36,449)

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,069	\$50,897	\$28,172
Special Revenue	843,390	248,878	594,512
Capital Projects	40,600	40,600	0
Total	\$963,059	\$340,375	\$622,684

Note 4 – Deposits

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

Demand deposits	2018 \$184,308
Other time deposits (savings and NOW accounts)	401,973
Total deposits	586,281

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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

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

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

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Assets	\$33,097,416
Liabilities	7,874,610
Net Position	\$25,222,806

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Debt

Leases

On January 8, 2015 the Township entered into a lease purchase agreement for a 2014 International Truck and Boss plow from Santander Leasing at a cost of \$81,367.60 to be leased for 4 years at a cost of 2.4% interest with annual payments of \$21,110.00. The Township disbursed \$21,110 to pay lease costs for the year ended December 31, 2018. The lease was fully retired in 2018.

Note 10 – Related Party Transactions

The Township has contracted with Turn-Er Green, LLC, a lawn care company, for cemetery sexton duties. The owner of Turn-Er Green, LLC is related to the Township's Fiscal Officer. The Township paid this company \$17,554 for 2018.

The total paid to Turn-Er Green, LLC included amounts received directly from funeral homes or family members of the decedent, fees for opening and closing of graves, which was estimated at approximately \$3,200 for 2018, of which \$1,800 was not deposited with the Township as required. Turn-er Green, LLC expended \$1,800 for opening and closings services which were also not reflected on the Township books.

The Township has also contracted with Lee Turner's Lawn Care Service for the mowing of five small cemeteries in 2018. Lee Turner is related to the Township's Fiscal Officer. The Township paid him \$2,250 for 2018.

Note 11 – Fiscal Watch

The Township had a negative General Fund balance at December 31, 2016. As a result, the Township requested Local Governmental Services to reconstruct/reconcile the Township's records for 2017, 2018, and 2019 to current. The Township was placed in fiscal watch on June 26, 2019.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Wayne Township
Auglaize County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$26,872	\$79,746	\$106,618
Charges for Services	0	10,422	10,422
Licenses, Permits and Fees	1,975	6,800	8,775
Intergovernmental	22,980	107,632	130,612
Earnings on Investments	360	93	453
Miscellaneous	1,153	15,416	16,569
<i>Total Cash Receipts</i>	<u>53,340</u>	<u>220,109</u>	<u>273,449</u>
Cash Disbursements			
Current:			
General Government	44,749	0	44,749
Public Safety	560	32,428	32,988
Public Works	0	70,841	70,841
Health	97	21,385	21,482
Capital Outlay	0	2,245	2,245
Debt Service:			
Principal Retirement	0	20,132	20,132
Interest and Fiscal Charges	0	978	978
<i>Total Cash Disbursements</i>	<u>45,406</u>	<u>148,009</u>	<u>193,415</u>
Excess of Receipts Over Disbursements	7,934	72,100	80,034
<i>Fund Cash Balances, January 1</i>	<u>(28,622)</u>	<u>528,970</u>	<u>500,348</u>
Fund Cash Balances, December 31			
Restricted	0	544,764	544,764
Committed	0	56,306	56,306
Unassigned (Deficit)	<u>(20,688)</u>	<u>0</u>	<u>(20,688)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$20,688)</u></u>	<u><u>\$601,070</u></u>	<u><u>\$580,382</u></u>

See accompanying notes to the basic financial statements.

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Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Auglaize County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool.

Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gasoline Tax Fund - The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Budgetary Process

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

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

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Township values savings and deposit accounts at cost.

Capital Assets

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
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,070	\$53,340	(\$2,730)
Special Revenue	232,031	220,109	(11,922)
Total	\$288,101	\$273,449	(\$14,652)

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,055	\$45,406	\$29,649
Special Revenue	713,393	148,009	565,384
Total	\$788,448	\$193,415	\$595,033

Note 4 – Deposits

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

	2017
Demand deposits	\$279,039
Other time deposits (savings and NOW accounts)	301,343
Total deposits	580,382

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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

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

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

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$7,000.

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Risk Management (continued)

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.

2017 Contributions to OTARMA
\$14,870

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Wayne Township
Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt

Leases

On January 8, 2015 the Township entered into a lease purchase agreement for a 2014 International Truck and Boss plow from Santander Leasing at a cost of \$81,367.60 to be leased for 4 years at a cost of 2.4% interest with annual payments of \$21,110.00. The Township disbursed \$21,110 to pay lease costs for the year ended December 31, 2017.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Leases
2018	\$21,110
Total	\$21,110

Note 10 – Related Party Transactions

The Township has contracted with Turn-Er Green, LLC, a lawn care company, for cemetery sexton duties. The owner of Turn-Er Green, LLC is related to the Township's Fiscal Officer. The Township paid this company \$20,800 for 2017.

The total paid to Turn-Er Green, LLC included amounts received directly from funeral homes or family members of the decedent, fees for opening and closing of graves, which was estimated at approximately \$8,075 for 2017, of which \$4,300 was not deposited with the Township as required. Turn-er Green, LLC expended \$5,050 for opening and closings services which were also not reflected on the Township books.

The Township has also contracted with Lee Turner's Lawn Care Service for the mowing of five small cemeteries in 2017. Lee Turner is related to the Township's Fiscal Officer. The Township paid him \$3,500 for 2017.

Note 11 – Fiscal Watch

The Township had a negative General Fund balance at December 31, 2016. As a result, the Township requested Local Governmental Services to reconstruct/reconcile the Township's records for 2017, 2018, and 2019 to current. The Township was placed in fiscal watch on June 26, 2019.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**WAYNE TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDING 2018-001

Noncompliance Citation / Finding for Recovery / Partially Repaid Under Audit

Ohio Rev. Code Section 117.28 authorizes the Auditor of State to report a *finding for recovery* in audit reports when legal action may be appropriate to recover public money or property. Ohio Rev. Code Section 117.01(C) defines *public money* as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office." Under Ohio Rev. Code Sections 9.24(H)(3) and 117.28, a finding for recovery may exist for public money collected but unaccounted for.

The Board of Trustees approved on December 28, 2016 the 2017 Cemetery opening and closing fees for adults at \$700 and cremation burials at \$125.

The Township entered into a contract with Turn-er Green, LLC on June 9, 2016 for the period of May 1, 2016 to April 30, 2017, and on June 8, 2017 for the period of May 1, 2017 to April 30, 2018 for a cemetery sexton to mow and maintain Willow Branch Cemetery for \$475 per mowing, to open and close graves, pour footers for tombstones, and to place veterans' markers. The contract rate for child and all other graves opening and closing was \$400 from January 1, 2017 through April 30, 2017 and \$450 for each opening and closing, other than child burials from May 1, 2017 through December 31, 2017. The rate for cremations was \$100 in both years.

During 2017, the Township's supporting documentation indicated that eleven burial permits were processed for adults (four between January 1, 2017 and April 30, 2017 and seven between May 1, 2017 and December 31, 2017) and three cremation burials. Based on this documentation, \$8,075 is estimated to have been collected (eleven openings and closings at \$700 each and 3 cremation burials at the \$125 approved fee for adult openings and closings). In turn, \$5,050 is estimated to have been paid to Turn-er Green, LLC (four openings and closings between January 1, 2017 and April 30, 2017 at \$400 per opening and closing is \$1,600 and seven openings and closings between May 1, 2017 and December 31, 2017 at \$450 per opening and closing is \$3,150 and three cremation burials at \$100 per cremation burial). The net estimated profit equals \$3,025 (\$8,075 estimated revenue less \$5,050 estimated expense). The Township only recorded \$2,500 in grave opening and closing revenue to the accounting records, therefore, \$525 in net estimated profit was not collected and posted to the Township accounting records.

During 2017, the Township paid Turn-er Green's invoice #11202 dated August 14, 2017 to mow Willow Branch cemetery on July 25, 2017 for \$475 on check #14210 dated September 14, 2017, however, the Township already paid Turn-er Green's invoice #11112 dated July 26, 2017 to mow Willow Branch cemetery on July 25, 2017 for \$475 on check #14201 dated August 10, 2017.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money due but not collected, is hereby issued, jointly and severally against Turn-er Green, LLC and Fiscal Officer, Holly Turner, in the amount of \$525 and in favor of Wayne Township's, Cemetery Fund. Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended in the amount of \$475, is hereby issued against Turn-er Green, LLC in the amount of \$475 and in favor of Wayne Township's Cemetery Fund.

The April 13, 2020 invoice from Turner-er Green for services provided on April 4, 2020 was adjusted by \$475 to repay the July 25, 2017 service that was paid twice by the Township.

**FINDING 2018-001
(Continued)**

A procedure(s) and/or control(s) should be implemented to prevent the issues identified above. Such control(s) and/or procedures could include but not be limited to the recalculation of the amount owed to the Township by Turn-er Green when the fees are directly received by Turn-er Green and the net amount is paid to the Township; and the review of invoices for evidence of a previous payment.

OFFICIALS' RESPONSE: Due to a lag in timing of the contract with the Sexton and the timing that the Trustees change the cemetery charges. This charge will be discussed by the Trustees at the May 2020 meeting.

FINDING 2018-002

Noncompliance Citation / Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During 2017, Trustee Erick Thomas Werling attended a training course and was reimbursed by the Township for meal expenses. The amount reimbursed to the Trustee included \$7 for the purchase of alcoholic beverages, which is not a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery of public monies illegally expended is hereby issued against Turstee Erick Thomas Werling, in the amount of \$7 and in favor of the Wayne Township's General Fund. Erick Thomas Werling's bonding company is Ohio Township Association Risk Management Authority.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Trustee Charles A. Haggard, Trustee Kevin L. Sidener, and Fiscal Officer Holly Turner, signed the warrant resulting in the improper payment to Trustee Erick Thomas Werling. Accordingly, former Trustee Charles A. Haggard, Trustee, Kevin L. Sidener, and Fiscal Officer Holly Turner, will be jointly and severally liable in the amount of \$7 and in favor of Wayne Township's General Fund, to the extent that recovery or restitution is not obtained from Trustee Erick Thomas Werling. Former Trustee Charles A. Haggard and Trustee Kevin L. Sidener's bonding company is Ohio Township Association Risk Management Authority. Fiscal Officer Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

**FINDING 2018-002
(Continued)**

The Township Trustees should establish and implement a travel reimbursement policy outlining the types of travel authorized, allowable and unallowable expenses, limitations on the amount of travel reimbursement and types of supporting documentation required for reimbursement. The Fiscal Officer and Trustees should review all travel expenses prior to issuing a check for reimbursement.

OFFICIALS' RESPONSE: This amount will be deducted from the 2020 reimbursement check.

FINDING 2018-003

Noncompliance Citation / Finding for Recovery

Ohio Rev. Code § 505.601 requires that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- (A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- (B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.
- (C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

The Board of Township Trustees adopted a resolution on December 21, 2017, to allow up to \$4,000 per employee for cancer, life, major medical, hospital, disability, dental, orthodontics, vision, dependent major medical, weekly hospital income, hearing aid, long term care indemnity, nursing home care, supplemental Medicare, prescription card, Chiropractic, prescription, accident and health insurance for the trustees and fiscal officer for the year 2018.

In 2018, Trustee, Kevin L. Sidener, was reimbursed a gross amount of \$4,000 but only provided support for insurance premiums in the amount of \$3,334 which resulted in an over payment of \$666.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Kevin L. Sidener, in the amount of \$666 and in favor of Wayne Township's General Fund \$222 and Gasoline Tax Fund \$444. Kevin L. Sidener's bonding company is Ohio Township Association Risk Management Authority.

**FINDING 2018-003
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Trustee Erick Thomas Werling, Trustee Larry W. Sutherland, and Fiscal Officer Holly Turner, signed the warrants resulting in the improper payments to Trustee Kevin L. Sidener. Accordingly, Trustee Erick Thomas Werling, Trustee Larry W. Sutherland, and Fiscal Officer Holly Turner, will be jointly and severally liable in the amount of \$666 and in favor of Wayne Township’s General Fund \$222 and Gasoline Tax Fund \$444, to the extent that recovery or restitution is not obtained from Trustee Kevin L. Sidener. Trustee Erick Thomas Werling, and Trustee Larry W. Sutherland's bonding company is Ohio Township Association Risk Management Authority. Fiscal Officer Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

Health insurance reimbursement requests should be reviewed by the Fiscal Officer and Trustees prior to issuing the reimbursement to the Official.

OFFICIALS’ RESPONSE: This amount will be deducted from the 2020 reimbursement check.

FINDING 2018-004

Noncompliance Citation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The December 21, 2017 Minutes approved for 2018 and the December 28, 2016 Minutes approved for 2017, the following maximum mileage reimbursements: \$525 Fire Chief, \$400 Assistant Fire Chief, \$325 Fire Captain, \$525 EMS Chief, \$400 Assistant EMS Chief and \$325 EMS Captain and also approved out of township trips mileage reimbursement at \$.45 per mile.

Patricia Howell is the Assistant EMS Chief and also holds the Treasurer position for the EMS Club and Hook and Ladder Club. The EMS Club and Hook and Ladder Club hold accounts with Superior Bank. The Township holds accounts with Chase Bank.

In 2018, Patricia Howell was reimbursed \$400 for mileage. Of this amount, \$11.43 (1 trip * 25.4 miles = 25.4 miles * \$.45 per mile = \$11.43) was for trips to the Superior Bank which is the Bank used by the EMS Club and Hook and Ladder Club and \$51.74 (773.9 total mileage * \$.45 per mile = \$348.26 less \$400 reimbursed amount = \$51.74) was not supported by any mileage reported. Total overpaid was \$63.17.

**FINDING 2018-004
(Continued)**

This resulted in a total overpayment of \$63 for mileage reimbursements in 2018.

Prior to issuing reimbursements for mileage, the Fiscal Officer and Trustees should verify that the reimbursement pertains to business of the Township and not associated organizations.

OFFICIALS' RESPONSE: This amount will be deducted from the 2020 reimbursement check.

FINDING NUMBER 2018-005

Noncompliance Citation

Ohio Rev. Code § 117.103(B)(1) states "a public office shall provide information about the Ohio fraud reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment." Additionally, **Ohio Rev. Code § 117.103(B)(2)** states, in part, "each public office shall make all its employees aware of the fraud-reporting system required by this section", effective May4, 2012.

There was no evidence that officials/employees had been made aware of this requirement or signed confirmations indicating they were made aware of the system.

The failure to inform employees of the Ohio fraud reporting system inhibits their ability to report fraud.

The Township should implement a control(s) and/or procedure(s) to help ensure that both existing and new employees and officials are informed of the fraud reporting system and maintain evidence of the notification in the employee personnel files. A form such as found on the Auditor of State website at [https://ohioauditor.gov/fraud/ FraudReportingSystemModelForm.pdf](https://ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf) can be used or the Township can develop its own form.

OFFICIALS' RESPONSE: This form will be copied off the Auditor of State website and given to each Trustee.

FINDING NUMBER 2018-006

Noncompliance Citation

Ohio Rev. Code § 117.38(B) states, in part, that each public office, shall file a financial report within 60 days after the close of the fiscal year.

The 2018 and 2017 financial reports were filed on September 3, 2019, however, the reports were due March 1, 2019 and 2018, respectively.

The failure to file financial statements with the required notes to the financial statements could result in the Township being declared un-auditable. In addition, **Ohio Rev. Code § 117.38(D)** imposes a penalty of \$25 per day (\$750 maximum) for incomplete filings.

**FINDING NUMBER 2018-006
(Continued)**

A procedure(s) and/or control(s), such as a reminder system, should be developed to ensure the annual financial statements and notes are filed by the required date.

OFFICIALS' RESPONSE: The reports were filed by LGS as a result of the 2015 and 2016 audit.

FINDING NUMBER 2018-007

Noncompliance Citation

Ohio Rev. Code § 149.43(E)(2) states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site.

Ohio Rev. Code § 149.43(B)(2) requires a public office to have available a copy of its current records retention schedule at a location readily available to the public.

There was no evidence that the Township had adopted a public records policy or records retention schedule. The lack of such policies may result in misunderstandings with the public or amongst Officials when it comes to records requests and could result in the improper destruction of records.

The Trustees should review the Ohio Revised Code requirements and adopt a public records policy and a records retention policy. Once adopted, the policies should be displayed in a location accessible by the public.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-008

Noncompliance Citation

Ohio Rev. Code § 505.601 requires that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- 1) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

**FINDING NUMBER 2018-008
(Continued)**

- 2) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.
- 3) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

In 2013, the IRS issued Notice 2013-54 and the Department of Labor issued Technical Release 2013-03 which indicate that employers may reimburse employees' premiums for non-employer sponsored health care with only post-tax dollars (i.e., employers must withhold taxes prior to making reimbursement), but that these reimbursements need not be used in computing allowable "gross salary" as prescribed in Ohio Rev. Code § 505.24 and § 505.09.

The Board of Township Trustees adopted resolutions on December 21, 2017 and December 28, 2016, respectively, to allow up to \$4,000 per employee for cancer, life, major medical, hospital, disability, dental, orthodontics, vision, dependent major medical, weekly hospital income, hearing aid, long term care indemnity, nursing home care, supplemental Medicare, prescription card, Chiropractic, prescription, accident and health insurance for the trustees and fiscal officer for the year 2018 and 2017, respectively.

In 2018, the Trustees and the Fiscal Officer received insurance reimbursements that were not run through the payroll system. In 2017, Trustee Kevin Sidener, Trustee Erick Werling, and Fiscal Officer Holly Turner received insurance reimbursements that were not run through the payroll system. As a result, the reimbursements were not included in their wages for calculating the taxes owed.

The Township needs to make sure all insurance reimbursements are posted through the UAN payroll system and payments made post-tax.

We will refer this matter to the Internal Revenue Service and the Ohio Department of Taxation.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-009

Noncompliance Citation

Ohio Rev. Code 507.03 states except as otherwise provided in section 3.061 of the Revised Code, 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.

The minimum sum of the township fiscal officer's bond shall be as follows: (F) In a township with a budget of more than seven hundred fifty thousand dollars but not more than one million five hundred thousand dollars, one hundred thirty-five thousand dollars.

The Township's budget exceeded \$750,000 in 2018 and 2017, however, the Fiscal Officer's bond covering the period April 1, 2016 through April 1, 2020 was only \$85,000.

**FINDING NUMBER 2018-009
(Continued)**

The Township should implement a control and/or procedure, such as an annual reminder system, to review the amount of bonds for the Fiscal Officer and other official. The Ohio Compliance Supplement Implementation Guide which can be found at: http://www.auditor.state.oh.us/references/compliancemanuals/2020/OCSImplementationGuide_2020.pdf should be reviewed to determine the bond amounts for Township Officials and employees.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-010

Noncompliance Citation

Ohio Rev. Code § 507.04(A) provides, in pertinent part, that the township fiscal officer shall keep an accurate record of the township's accounts and transactions. The Township entered into contracts on June 9, 2016, June 8, 2017, and February 8, 2018 with Turn-er Green, LLC for a cemetery sexton, which responsibilities included opening and closing graves, pouring footers for tombstones, and placing veteran's markers. The owner of Turn-er Green, LLC is related to the Township's Fiscal Officer. The contract agreement states that the Township will pay for these services upon receipt and approval of an invoice.

Turn-er Green, LLC collected the receipts for the opening and closing of graves in 2018 and 2017, and paid the Township the receipts that were net of the Sexton fees. The approximate cemetery receipts collected directly from funeral homes or family members of the decedent by Turn-er Green, LLC in 2018 and 2017 was estimated at \$3,200 and \$8,075, respectively, based on burial permits provided to us by the Township Fiscal Officer. In both 2018 and 2017, \$1,400 and \$2,500, respectively, in net receipts was recorded as miscellaneous receipts in the Cemetery Fund instead of licenses, permits and fees receipts. The accompanying financial statements have been adjusted to correct this classification error.

In addition, the accompanying financial statements were adjusted to gross up license, permit, and fees receipts, and health disbursements by \$1,800 in 2018 and \$4,300 in 2017. The difference of \$525 in 2017 between estimated and adjusted receipts and disbursements is further discussed in Finding Number 2018-001.

The failure to collect the gross receipts from the opening and closing of graves increases the risk of errors and/or irregularities, results in the material misstatement of the financial statements, could result in the wrong rate being charged to the public, violates the language of the contract, and understates the 1099 issued by the Township for the other Sexton related services.

The Township should collect the gross receipts from the opening and closing of graves, then issue checks for the approved fees to be paid to the Sexton. The Trustees should monitor the opening and closing of graves to help ensure the gross amount is collected, the correct rates are charged, and the correct fees are being paid to the Sexton. At year-end, the 1099 issued to the Sexton for other services should include the fees paid for the opening and closing of graves.

OFFICIALS' RESPONSE: Due to a lag in timing of the contract with the Sexton and the timing that the Trustees change the cemetery charges. This charge will be discussed by the Trustees at the May 2020 meeting.

FINDING NUMBER 2018-011

Noncompliance Citation

Ohio Rev. Code § 507.12 (C) states, in part, (2) A township fiscal officer who is elected to a subsequent term of office shall complete twelve hours of continuing education courses in each subsequent term of office, (4) At least two hours of ethics instruction shall be included in the continuing education hours required by divisions (C)(1) and (2) of this section and (5) A township fiscal officer who participates in a training program or seminar established under section 109.43 of the Revised Code may apply the three hours of training to the continuing education hours required by divisions (C)(1) and (2) of this section.

The Auditor of State's Office (AOS) has developed an on-line training database. The database includes a list of approved training, which is maintained by AOS training department. Fiscal officers must register and create a personal username and password for the AOS's Fiscal Integrity site for reporting purposes. Training is then reported by choosing the training courses and dates attended. Fiscal officers are required to self-report their hours, otherwise they will not receive credit for the training.

Fiscal Officers can access and print their certificates via the Fiscal Integrity Act portal available at <http://www.ohioauditor.gov/fiscalintegrity/default.html>.

The Fiscal Officer did not complete any continuing education courses in 2018 and 2017 and did not complete any in 2016, 2015, 2014 and 2013. The Fiscal Officer has also not registered on the AOS's Fiscal Integrity Site.

Failure to obtain and document the required training could result in the Fiscal Officer not being adequately trained and could result in subsequent recording and compliance errors due to insufficient training.

The Fiscal Officer should complete the required 12 hours (including 2 hours of Ethics training) of continuing education courses for each term of office. Training hours should be reported on the AOS's Fiscal Integrity Site. The Trustees should monitor the Fiscal Officer's completion of continuing education.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-012

Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states, in part, "all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose."

In 2018, a State Fire Marshall Grant in the amount of \$10,000 was recorded in the EMS Fund instead of the Fire District Fund.

Recording restricted receipts in the wrong fund increases the risk of the illegal spending of those receipts and reduces the available resources needed to meet obligations of the intended fund. The failure to review grant awards and the fund used to record the related activity may have contributed to this error.

The accounting records have been adjusted to correct this recording error. There was not an impact on the accompanying financial statements since both funds are reported in the Special Revenue fund type.

**FINDING NUMBER 2018-012
(Continued)**

Grant awards should be reviewed by the Fiscal Office and Trustees along with a review of the accounting records to help prevent errors such as the one identified above.

OFFICIALS' RESPONSE: This was an error by the Fiscal Officer, accounts have been adjusted.

FINDING NUMBER 2018-013

Noncompliance Citation

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

Appropriations were not approved for 2018 until February 8, 2018 and for 2017 until February 9, 2017. In addition, no temporary appropriation measure was passed.

The failure to approve appropriations by the required date could result in disbursements being made without proper budgetary authority which could result in deficit spending.

A procedure(s) and/or control(s) should be implemented to provide for the timely approval of the annual appropriation resolution.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-014

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit "shall make any expenditure of money unless it has been appropriated." In 2017, the Township's expenditures plus contract commitments (including outstanding encumbrances) exceeded the total appropriations in the Cemetery Fund by \$422.

Expenditures in excess of appropriations could result in deficit spending and/or the use of another fund's money to cover the expenditures.

A control(s) or procedure(s), such as the periodic review of appropriations, disbursements, and encumbrances to ensure that spending is within appropriations, should be performed by the Trustees.

OFFICIALS' RESPONSE: This was due to an accident at the cemetery, causing repairs to be made. Insurance covered the costs.

FINDING NUMBER 2018-015

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(3) states upon certification by the auditor or other chief fiscal officer that a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority of the subdivision or taxing unit, has been lawfully appropriated, authorized, or directed for a certain purpose and is in the treasury or in the process of collection to the credit of a specific line-item appropriation account in a certain fund free from previous and then outstanding obligations or certifications, then for such purpose and from such line-item appropriation account in such fund, over a period not extending beyond the end of the fiscal year, expenditures may be made, orders for payment issued, and contracts or obligations calling for or requiring the payment of money made and assumed; provided, that the aggregate sum of money included in and called for by such expenditures, orders, contracts, and obligations shall not exceed the sum so certified.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year or, in the case of counties, beyond the quarterly spending plan established by the county commissioners. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

A resolution or ordinance was not passed establishing the maximum amount for blanket certificates in 2018 and 2017. Failure to do so, could lead to blanket certificates exceeding appropriations and/or spending in excess of appropriations. Also, regular blankets were established for the specific recurring and predictable expenses where super blankets were written for all other expenses.

The Trustees should review Ohio Rev. Code §5705.41(D)(3) and pass a resolution to establish a maximum amount blanket certificates will not exceed and to determine which expenses should be regular blanket and "super" blanket certificates.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-016

Internal Control Deficiency – Segregation of Duties

The *Standards for Internal Control in the Federal Government*, known as the "Green Book" issued by the U.S. Government Accountability Office defines segregation of duties as a process where management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. So that no one individual controls all key aspects of a transaction or event, this includes separating the responsibilities for:

- Authorizing transactions
- Processing and recording transactions,
- Reviewing the transactions, and
- Handling any related assets

**FINDING NUMBER 2018-016
(Continued)**

Due to the limited size of the Township and no employees beyond the elected officials, the Fiscal Officer is always the individual to receive cash, prepare bank deposits, record receipt transactions into the UAN Computer System. There is a risk that when an individual is performing all tasks, they may have the ability to cover up their own fraudulent work without detection by anyone.

The compensating controls at the Township are limited to the Trustees signing checks and the bank statements at each meeting. Therefore, due to the lack of segregation of duties there is an increased risk of errors and/or irregularities.

The Township should consider implementing additional controls such as the Trustees periodically performing an in-depth review of the accounting records, bank to book reconciliations, adjustments to the accounting system, and other procedures as deemed necessary.

OFFICIALS' RESPONSE: Trustees are given management reports every three months and review the receipts and bank statements at each meeting.

FINDING NUMBER 2018-017

Internal Control Deficiency –Recording of Financial Activity

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2018, an Issue I grant in the amount of \$40,600 from the Ohio Public Works Commission (OPWC) for a multi-township Resurfacing Program paid to the contactor on-half of the Township was not recorded by the Township as intergovernmental receipts and capital outlay disbursements.

Financial recording errors and omissions in the financial statements and notes may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements.

Along with reviewing the accounting records and financial statements for errors, the Fiscal Officer and the Trustees should review grant documentation to help ensure the related activity is correctly recorded in the accounting records and financial statements. Auditor of State Bulletin 2000-008 should be utilized as a guide on accounting for on-half activity.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-018

Internal Control Deficiency – Review of Bank to Book Reconciliations

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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

The Township should have procedures and controls in place to monitor the issuance of checks, including the sequential issuance of checks and the proper defacing of checks that are intended to be voided. In addition, all deposits should be recorded in the Uniform Accounting Network (UAN) accounting system accurately and in a timely manner.

Throughout 2018 and 2017, bank to book reconciliations were not prepared in a timely manner, did not always agree to supporting documentation, and were not submitted to the Trustees for review. As a result, the following issues occurred and were not detected on bank to book reconciliations at:

December 31, 2018:

- The amount recorded as outstanding checks was not accurate due to checks which were not marked cleared in the UAN system, but had cleared the bank statements. Checks that were manually voided in the amount of \$1,702 and assigned a new check number were not marked as voided in the UAN system. A check in the amount of \$216 was entered into UAN but processed as an electronic funds transfer (EFT) was not cleared from the UAN system;
- All monthly payments to the Internal Revenue Service (IRS) are issued on a check through UAN, and then paid by EFT, and then a corresponding check was voided in the UAN system. Check #13685 for \$216 cleared the bank as an EFT on January 15, 2016, but the check was never voided in the UAN and carried as an outstanding check on the 2018 year end bank reconciliation, check #14271 dated December 13, 2017 for \$288 was never processed and paid to the IRS for November 2017 withholdings and carried as an outstanding ACH on the 2018 year end bank reconciliation.

December 31, 2017:

- The amount recorded as outstanding checks of \$1,702 on the bank reconciliation was not accurate due to checks which were not marked cleared in the UAN system, but had cleared the bank statements. One check in the amount of \$216 was entered into UAN system, but processed as an electronic funds transfer (EFT), were not cleared from the UAN system, but was listed as an outstanding check on the year end bank reconciliation;

FINDING NUMBER 2018-018
(Continued)

- All monthly payments to the Internal Revenue Service (IRS) are issued on a check through UAN, and then paid by EFT, and then a corresponding check was voided in the UAN system. Check #13685 for \$216 cleared the bank as an EFT on January 15, 2016, but the check was never voided in the UAN and carried as an outstanding check on the 2017 year end bank reconciliation, check #14271 dated December 13, 2017 for \$288 was never processed and paid to the IRS for November 2017 withholdings and carried as an outstanding ACH on the 2017 year end bank reconciliation.
- Check #14121 and #14185 were voided in the UAN system but the actual checks were not defaced
- The Township had a receipt from an insurance refund for \$1,519.83 recorded in the UAN system on May 11, 2017, that was not deposited into the bank until May 17, 2017. The Township also had a receipt from cemetery insurance repairs for \$3,410 recorded in the UAN system on November 8, 2017, that was not deposited into the bank until November 16, 2017.

The failure to accurately prepare and review/monitor the bank-to-book reconciliations in a timely manner permitted reconciling differences to remain undetected, and resulted in the presentation of misstated financial statements. Failure to ensure that checks are issued in sequential order prohibits proper monitoring of checks for completeness. Failure to ensure that voided checks are properly defaced could lead to illegal spending of Township funds by unauthorized users. Also, failure to pay disbursements in a timely fashion and clear from the UAN system prohibits proper reconciling of the bank balance and monitoring of checks for completeness. Failure to deposit receipts by the next business day and/or post to the UAN system timely increases the risk of the loss or misuse of the receipts.

In addition, this situation contributed to the Township hiring the Local Government Services Division of the Ohio Auditor of State to reconstruct and reconcile the accounting records for 2018 and 2017. As of December 31, 2018 and 2017, the reconstructed records show that the bank balances are higher than the accounting records balance by \$2,168.

Bank to book reconciliations should be prepared each month as soon as the bank statements are available. Amounts on the reconciliations such as bank balance, outstanding checks, and other adjusting factors should be agreed to supporting documentation. Unexplained variances should be investigated and resolved. The reconciliations, along with supporting documentation, should be presented to the Trustees each month for review and approval. The review and approval should be noted on the reconciliation and/or the minutes.

The Fiscal Officer and Trustees should review the other issues identified above and implement procedures and controls to prevent similar issues in subsequent years. Such procedures could include but not be limited to the comparison of bank activity to the related activity recorded in the accounting records; the review of voided checks to determine the necessity and validity; the review of checks for sequential issuance, the review of check numbers, payees, and amounts on the issued checks to the same information recorded in the UAN system; and the review of supporting documentation for receipts and disbursements to ensure the activity has been recorded in the UAN system. In addition, the Trustees should periodically perform an in-depth review of the bank reconciliations and accounting records to help ensure accuracy and completeness. This review should include but not be limited to agreeing the reported bank balance to the bank statements, verifying the accuracy and completeness of the outstanding checks, and verification of other reconciling items.

OFFICIALS' RESPONSE: The Township has worked with LGS to solve this problem. The bank statements are now reconciled monthly.

Wayne Township, Auglaize County

PO Box 103
Waynesfield, OH 45896

Trustees

Erick Werling
Larry Sutherland
Kevin Sidener

**WAYNE TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Material Weakness – bank reconciliation deficiencies	No	Repeat as 2018-018, LGS has since corrected
2016-002	Material Weakness – receipt, disbursement, and fund balance classification errors, and receipts and disbursements recorded in the wrong fund, and note recording errors.	Partially	Repeat as 2018-017, LGS has since corrected
2016-003	Noncompliance/Material Weakness - the trustees did not certify the amount time spent for charging wages to funds other than the General Fund	Yes	
2016-004	Noncompliance/Material Weakness – cemetery activity receipt classification errors and to gross up opening and closing receipts	No	Repeat as 2018-010, Township corrected for 2019
2016-005	Noncompliance Citation / Finding for Recovery Repaid Under Audit – insurance reimbursement in excess of the maximum allowed	Partially	Similar comment for reimbursements that were not supported. Repeated as Finding 2018-003

Wayne Township
 Auglaize County
 Schedule of Prior Audit Findings
 Page 2

2016-006	Noncompliance Citation / Finding for Recovery Repaid Under Audit – reimbursements for out of pocket medical expenses	Yes	
2016-007	Noncompliance Citation / Finding for Recovery – mileage reimbursements	Partially	Repeated as finding 2018-004 (no finding for recovery)
2016-008	Noncompliance Citation / Finding for Recovery – donations to volunteer associations	Yes	
2016-009	Noncompliance Citation / Finding for Recovery - cemetery fees	Partially	Repeated as Finding 2018-001
2016-010	Noncompliance / Material Weakness – disbursements recorded in the wrong fund	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



WAYNE TOWNSHIP

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2020**