



Dave Yost • Auditor of State



WAYNE TOWNSHIP  
AUGLAIZE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Wayne Township, Auglaize County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

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

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

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Wayne Township, Auglaize County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

September 20, 2018

WAYNE TOWNSHIP, AUGLAIZE COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

**All Governmental Fund Types**

For the Year Ended December 31, 2016

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$26,309	\$75,776	\$102,085
Charges for Services		8,925	8,925
Licenses, Permits and Fees	2,544	7,800	10,344
Intergovernmental	24,468	100,696	125,164
Earnings on Investments	190	44	234
Miscellaneous	1,540	24,871	26,411
<i>Total Cash Receipts</i>	<u>55,051</u>	<u>218,112</u>	<u>273,163</u>
<b>Cash Disbursements</b>			
Current:			
General Government	86,611		86,611
Public Safety	950	39,107	40,057
Public Works		91,085	91,085
Health		22,553	22,553
Debt Service:			
Principal Retirement		19,660	19,660
Interest and Fiscal Charges		1,450	1,450
<i>Total Cash Disbursements</i>	<u>87,561</u>	<u>173,855</u>	<u>261,416</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(32,510)	44,257	11,747
<i>Fund Cash Balances, January 1</i>	<u>3,888</u>	<u>484,713</u>	<u>488,601</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		484,590	484,590
Committed		44,380	44,380
Unassigned (Deficit)	<u>(28,622)</u>		<u>(28,622)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$28,622)</u>	<u>\$528,970</u>	<u>\$500,348</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, 2016*

**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 a public entity risk pool. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA)

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:

***Gas Tax Fund*** The gas 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, 2016*

***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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***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 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 re-appropriated in the subsequent year.

A summary of 2016 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.

***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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**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 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,559	\$55,051	(\$508)
Special Revenue	230,425	218,112	(12,313)
Total	\$285,984	\$273,163	(\$12,821)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,054	\$87,561	\$19,493
Special Revenue	667,531	173,855	493,676
Total	\$774,585	\$261,416	\$513,169

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 – Deposits and Investments**

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:

	2016
Demand deposits	\$199,458
Other time deposits (savings and NOW accounts)	300,890
Total deposits	500,348

***Deposits***

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

**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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**Note 6 - Risk Management**

***Risk Pool Membership***

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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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, 2016, 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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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

<b>2016 Contributions to OTARMA</b>
\$14,611

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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**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% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers 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 2.0 percent during calendar year 2016.

**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, 2016.

***Amortization***

Amortization of the above lease purchase agreement, including interest, is scheduled as follows:

Year Ending December 31:	Leases
2017	21,110
2018	21,110
Total	<u>\$42,220</u>

**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 \$29,332 for 2016.

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 \$8,400 for 2016, of which \$5,800 was not deposited with the Township as required. Turn-er Green, LLC expended \$5,200 for opening and closings services which were also not reflected on the Township books.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

The Township has also contracted with Lee Turner's Lawn Care Service for the mowing of five small cemeteries in 2016. Lee Turner is related to the Township's Fiscal Officer. The Township paid him \$3,000 for 2016.

**Note 11 – Elimination of Negative General Fund Balance**

As a result of audit adjustments, the General Fund has a negative cash fund balance of (\$28,622) at December 31, 2016. The Trustees met on Thursday September 13, 2018. They did not come with any definite plan or timeframe. They are going to cut expenses where they can.

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WAYNE TOWNSHIP, AUGLAIZE COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**  
**All Governmental Fund Types**  
 For the Year Ended December 31, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$26,417	\$76,592	\$103,009
Charges for Services		11,784	11,784
Licenses, Permits and Fees	1,150	3,000	4,150
Intergovernmental	27,791	126,618	154,409
Earnings on Investments	64	19	83
Miscellaneous	1,035	3,950	4,985
<i>Total Cash Receipts</i>	<u>56,457</u>	<u>221,963</u>	<u>278,420</u>
<b>Cash Disbursements</b>			
Current:			
General Government	81,441		81,441
Public Safety		46,244	46,244
Public Works		77,874	77,874
Health		3,550	3,550
Capital Outlay		81,368	81,368
Debt Service:			
Principal Retirement		20,944	20,944
Interest and Fiscal Charges		166	166
<i>Total Cash Disbursements</i>	<u>81,441</u>	<u>230,146</u>	<u>311,587</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,984)</u>	<u>(8,183)</u>	<u>(33,167)</u>
<b>Other Financing Receipts</b>			
Other Debt Proceeds		81,368	81,368
Sale of Capital Assets		15,200	15,200
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>96,568</u>	<u>96,568</u>
<i>Net Change in Fund Cash Balances</i>	(24,984)	88,385	63,401
<i>Fund Cash Balances, January 1</i>	<u>28,872</u>	<u>396,328</u>	<u>425,200</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		452,739	452,739
Committed		31,974	31,974
Assigned	3,888		3,888
<i>Fund Cash Balances, December 31</i>	<u>\$3,888</u>	<u>\$484,713</u>	<u>\$488,601</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, 2015*

**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 a public entity risk pool. This organization is:

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

Note 6 to the financial statements provides 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***

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**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

***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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***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 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 re-appropriated in the subsequent year.

A summary of 2015 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.

***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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**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 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,659	\$56,457	\$798
Special Revenue	230,287	318,531	88,244
Total	\$285,946	\$374,988	\$89,042

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,302	\$81,441	\$35,861
Special Revenue	603,017	230,146	372,871
Total	\$720,319	\$311,587	\$408,732

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 4 – Deposits and Investments**

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:

	2015
Demand deposits	\$187,946
Other time deposits (savings and NOW accounts)	300,655
Total deposits	488,601

***Deposits***

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

**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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**Note 6 - Risk Management**

***Risk Pool Membership***

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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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, 2015, 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, 2015.

	<b>2015</b>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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

<b>2015 Contributions to OTARMA</b>
\$13,786

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.

**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Four 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% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Note 8 – Postemployment Benefits**

OPERS offers 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 2.0 percent during calendar year 2015.

**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, 2015.

***Amortization***

Amortization of the above lease purchase agreement, including interest, is scheduled as follows:

Year Ending December 31:	Leases
2016	\$21,110
2017	21,110
2018	21,110
Total	<u><u>\$63,330</u></u>

**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 \$17,857 for 2015.



**Wayne Township**  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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 \$3,000 for 2015, which was not deposited with the Township as required.

The Township has also contracted with Lee Turner's Lawn Care Service for the mowing of five small cemeteries in 2015. Lee Turner is related to the Township's Fiscal Officer. The Township paid him \$3,000 for 2015.

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# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Wayne Township, Auglaize County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 20, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 and 2016-010 to be material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-003 through 2016-010.

**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.

**Purpose of this Report**

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



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

September 20, 2018

**WAYNE TOWNSHIP  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

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

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**FINDING NUMBER 2016-001**

**Material Weakness - 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.

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 2016 and 2015, 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, 2016:

- The reconciliation included an unsupported other adjusting factor in the amount of \$1,817;
- 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 \$16,072 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;
- Payments in the amount of \$1,250 were voided manually, but never voided in the UAN system;
- Six instances in which the checks were not issued in sequential order;
- Sixty-six checks were voided of which eighteen were not properly defaced (27%). Of the checks not properly defaced, four checks (check #13750, #13851, #13860, and #13864) were signed by all three trustees and fiscal officer and were not properly defaced; and
- 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 2016 year end bank reconciliation, check #13944 dated 9/8/16 for \$280, check #13967 dated October 13, 2016 for \$280, check #13987 dated November 9, 2016 for \$280, check #14026 dated December 8, 2016 for \$643, and check #14034 dated December 28, 2016 for \$280 all to IRS were not paid by EFT until January 5, 2017 and all carried as an outstanding check on the 2016 year end bank reconciliation.

**FINDING NUMBER 2016-001  
(Continued)**

December 31, 2015:

- The reconciliation included an unsupported other adjusting factor in the amount of \$8,760;
- The amount recorded as outstanding checks of \$1,000 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. Two checks in the amount of \$432 were entered into UAN system, but processed as an electronic funds transfer (EFT), were not cleared from the UAN system, but were listed as an outstanding check on the year end bank reconciliation;
- Receipts in the amount of \$400 were identified which were not recorded in the UAN System;
- A payment in the amount of \$68 cleared the bank but was recorded in the UAN system as a payment of \$35;
- Receipts in the amount of \$11,279 marked as cleared in the UAN system that did not clear the bank until the next year and were not listed as deposits in transit on the year end reconciliation; and
- All monthly payments to the IRS were issued on a check through UAN, and then paid by EFT, and then the check was voided in the UAN system. Check #13554 dated June 11, 2015 was cleared as EFT on July 20, 2015; however, was not voided in the UAN system and carried as an outstanding check on the 2015 year end bank reconciliation, check #13600 dated August 12, 2015 for \$289, check #13623 dated September 10, 2015 for \$216, check #13639 dated October 8, 2015 for \$216, check #13685 dated December 9, 2015 for \$216, all written to the IRS that were not paid by EFT until January 13, 2016, January 12, 2016, January 11, 2016, and January 15, 2016, respectively. Also, check #13714 dated December 28, 2015 for \$216 has not been paid by EFT and submitted to the IRS as of March 2017.

The Township had a receipt from zoning variances for \$250 recorded in the UAN system on April 9, 2015, that was not deposited into the bank until May 20, 2015. The Township had a receipt from the sale of cemetery lots for \$350 recorded in the UAN system on May 14, 2015, that was not deposited into the bank until May 20, 2015. Also, a receipt from the sale of cemetery lots in the amount of \$700 was recorded in the UAN system on March 10, 2016, but was not deposited until January 13, 2017.

In 2015, per the April bank statement, a deposit for \$350 agreed to a duplicate receipt for a cemetery lot sale dated April 20, 2015 and deposited on the same day that was not recorded in the UAN system and per November bank statement, a deposit for \$50 on November 16, 2015 was not recorded in the UAN system. Also, a deposit for EMS Services in the amount of \$439, a property tax receipt in the amount of \$7,685, EMS Services in the amount of \$146, EMS Services in the amount of \$37, and a property tax receipt in the amount of \$7,674, which cleared the bank on March 13, 2015, March 25, 2015, July 28, 2015, September 3, 2015, and August 31, 2015, respectively were not recorded in the UAN system until December 30, 2015.

As of December 31, 2016 and 2015, the bank balances are higher than the UAN system balance by \$3,985 and \$3,735, respectively.

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.

**FINDING NUMBER 2016-001  
(Continued)**

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:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2016-002**

**Material Weakness – Accuracy of Financial Reporting**

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.

The following reporting errors were identified:

- At December 31, 2015, subsequent year appropriations in the General Fund exceeded estimated receipts by \$3,888, and were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance;
- At December 31, 2016 and 2015, the Road and Bridge Fund balance, in the amount of \$23,270 and \$10,864, respectively, which is derived from in-side millage from property taxes allocated by the Trustees, was classified as restricted fund balance instead of committed fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance per GASB Statement No. 54, paragraph 10 (GASB Codification 1800.170);

**FINDING NUMBER 2016-002**  
**(Continued)**

- In 2016, homestead and rollback receipts were recorded as property and other local taxes in the General, Road and Bridge, Fire District, and Fire and Rescue Ambulance EMS Service funds in the amounts of \$4,038, \$1,580, \$4,839, and \$4,839 respectively, rather than as Intergovernmental receipts;
- In 2016, a lease payment in the amount of \$21,110 was recorded in the Gasoline Tax Fund as public works instead of Gasoline Tax Fund as principal retirement and interest and fiscal charges in the amounts of \$19,660 and \$1,450, respectively;
- In 2015, an undivided liquor permit receipt of \$146 from the State was recorded as charges for services in the Fire and Rescue Ambulance EMS Service Fund instead of intergovernmental receipts in the General Fund. Ohio Rev. Code § 5705.10(A) provides, in part, all revenue, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund;
- In 2015, lease purchase debt proceeds and disbursements were not recorded in the amount of \$81,368 for Other Debt proceeds and Capital Outlay in the Gasoline Tax Fund;
- In 2015, a lease payment in the amount of \$21,110 was recorded in the Road & Bridge Fund as public works instead of the Gasoline Tax Fund as principal retirement and interest and fiscal charges in the amounts of \$20,944 and \$166, respectively;
- In 2015, homestead and rollback receipts were recorded as property and other local taxes in the General, Road and Bridge, Fire District, and Fire and Rescue Ambulance EMS Service funds in the amounts of \$4,092, \$1,592, \$4,802, and \$4,941 respectively, rather than as intergovernmental receipts; and
- In 2015, the proceeds from the sale of a dump truck were recorded in the Gasoline Tax Fund as miscellaneous receipts instead of sale of capital assets receipts.

The 2016 and 2015 notes to the financial statements also contained errors such as, but not limited to the identification of proprietary and fiduciary funds, the disclosure of insignificant special revenue funds without a reason, not including disclosure on deposits, and errors in the budgetary notes including not disclosing budgeted versus actual expenditures.

The accompanying financial statements and notes to the financial statements, and where necessary, the accounting records, have been adjusted to correct these recording errors.

Other recording errors that were not material to the financial statements were identified but not recorded in the accompanying financial statements.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to identify, analyze, and react to risks to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors impact the users understanding of the financial statements and the Township.

During 2016 and 2015, the Trustees were only presented with the fund balances and a list of receipts and payments at each meeting. These reports did not provide the level of detail that would easily help in the identification of recording errors and as a result may have contributed to these errors not being identified.



**FINDING NUMBER 2016-002  
(Continued)**

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. The Fiscal Officer should provide the Trustees with a more detailed listing of financial reports such as but not limited to budget versus actual receipt reports, which show the receipts by classification for each fund, and budget versus actual disbursement reports, which show activity at the legal level of control for each fund. These reports and any other reports should be generated by the UAN system. If not practical to print these reports, then an electronic version or read-only access to the UAN system should be provided to the Trustees. The review of these reports by the Trustees will assist in the identification of recording errors in a timely manner. The annual financial statements and notes to the financial statements should be reviewed by the Fiscal Officer and Trustees to help detect errors. The Fiscal Officer should utilize resources such as the Ohio Township Handbook, the UAN Accounting Manual and other resources available at <https://ohioauditor.gov/>.

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

**FINDING NUMBER 2016-003**

**Noncompliance / Material Weakness**

**Ohio Rev. Code § 505.24(D)** sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(D) permits trustees to receive annual salaries or per diem payments.

The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

In 2016, the Trustee's did not complete time certifications, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, and insurance reimbursements) should have been paid from the General Fund.

In 2015, each of the Trustees' monthly time certifications indicated that 66.67% of the time was spent on General Fund activities and 33.33% on Gasoline Tax Fund activities; however, the salaries were allocated 25% to the General Fund and 75% to the Gasoline Tax Fund. Additionally, the related employer contributions (OPERS, Medicare, and insurance reimbursements) paid did not follow the payroll allocation.

These errors resulted in the following adjustments for wage and employer benefits being made to the accompanying financial statements and the accounting records:

**2016** –Decreased the General Fund balance by \$33,578 and increased the Gasoline Tax Fund balance by \$33,578.

**2015** –Decreased the General Fund balance by \$14,175 and increased the Gasoline Tax Fund balance by \$14,175.

**FINDING NUMBER 2016-003  
(Continued)**

A procedure(s) and/or control(s) should be implemented to ensure that a certification is prepared each month in which the wages of a Trustee are to be charged to a fund other than the General Fund and that the actual allocation agrees to the certification. The wages and related employer benefits should be recorded in the accounting records for each fund in the same proportion as the certification.

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

**FINDING NUMBER 2016-004**

**Noncompliance / Material Weakness**

**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 11, 2015 and June 9, 2016 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 2016 and 2015, and a cremation in 2015, 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 2016 and 2015 was estimated at \$8,400 and \$3,000, respectively, based on burial permits provided to us by the Township Fiscal Officer. In 2016, \$2,600 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 \$5,200 in 2016 and \$3,000 in 2015. The difference of \$600 in 2016 between estimated and adjusted receipts and disbursements is further discussed in Finding Number 2016-009.

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:** As stated in the cemetery sexton contract the sexton is permitted to only charge up to a certain amount for openings and closing. The sexton does not always collect or charge the maximum amount. Local funeral homes are aware of the maximum charge and only pay the sexton the amount he asks for. Since 2016 the sexton has made sure that at least the township amount is collected. One of the issues brought up by this audit has been the dating of the sexton contract. The trustees vote on the charges the sexton can charge at the annual organizational meeting while the actual dates of the sexton contract begin May 1. The trustees will now coincide the dating of the cemetery charges and the sexton contract, so that both are at the annual organizational meeting.

#### FINDING NUMBER 2016-005

##### Noncompliance Citation / Finding for Recovery Repaid Under Audit

**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 28, 2015, 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, prescription, accident and health insurance for the trustees and fiscal officer for the year 2016.

In 2016, Trustee, Erick Thomas Werling, was reimbursed a gross amount of \$4,747 for 2016 Insurance premiums. Of this amount, \$747 was unallowable due to the fact that it exceeded the maximum amount approved by the Board of Trustees. The net unallowable amount reimbursed to Trustee, Erick Thomas Werling, was \$724 (gross amount of \$747 less deductions of \$23).

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, Erick Thomas Werling, in the amount of \$724 and in favor of Wayne Township's General Fund. Erick Thomas Werling's bonding company is Ohio Township Association Risk Management Authority.

The 2017 premium reimbursement to Erick Werling was paid on December 13, 2017 with warrant #14293. The amount of this warrant was \$3,253.01 which was net of the \$724 finding for recovery.

**OFFICIALS' RESPONSE:** The auditor was made aware of this situation at the very beginning of the audit and received updates to the corrections that were made.

#### FINDING NUMBER 2016-006

##### Noncompliance Citation / Finding for Recovery Repaid Under Audit

**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:

**FINDING NUMBER 2016-006**  
**(Continued)**

(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 Trustees approved in the December 28, 2015 Minutes 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, prescription, accident and health insurance for the trustees and fiscal officer for the year 2016. Ohio Rev. Code § 505.60(G), indicates that as used in this section and section 505.601 of the Revised Code: (2) "Premium" does not include any deductible or health care costs paid directly by a township officer or employee.

In 2016, Kevin L. Sidener, Township Trustee, was reimbursed a gross amount of \$1,773 for \$986 in life insurance premium and \$787 out of pocket medical expenses (glasses, eye doctor exam, prescriptions, and chiropractor). Out of pocket medical expenses are unallowable reimbursements. The net unallowable amount reimbursed to the Trustee was \$763 (gross amount of \$787 less deductions of \$24).

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kevin L. Sidener in the amount of \$763 and in favor of Wayne Township, Auglaize County General Fund, in the amount of \$763. Kevin L. Sidener's bonding company is Ohio Township Association Risk Management Authority.

In 2016, Fiscal Officer Holly Turner, was reimbursed a gross amount of \$3,561 for \$2,591 in insurance premiums and \$970 out of pocket medical expenses (vision costs - glasses, contacts and eye exams). Out of pocket medical expenses are unallowable reimbursements. The net unallowable amount reimbursed to the Fiscal Officer was \$940 (gross amount of \$970 less deductions of \$30).

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Holly Turner in the amount of \$940 and in favor of Wayne Township, Auglaize County General Fund, in the amount of \$940. Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

On June 29, 2018, July 11, 2018, and July 17, 2018, Kevin L. Sidener, provided additional allowable medical premiums that could have been submitted for reimbursement during 2016. The additional premiums were in the amount of \$2,380 which off-set the \$763 unallowable amount reimbursed.

On July 11, 2018, July 17, 2018, and July 29, 2018, Holly Turner, provided additional allowable medical premiums that could have been submitted for reimbursement during 2016. The additional premiums were in the amount of \$1,279 which off-set the \$940 unallowed amount reimbursed.

**OFFICIALS' RESPONSE:** Once the auditor made the trustees and fiscal officer aware of this situation, addition information was forwarded from Kevin Sidener that showed legitimate reimbursement expenses exceeding the allowed \$4,000.00 for 2016. Additional information was forwarded from Holly Turner that showed legitimate reimbursement expenses exceeding the allowed \$4,000.00 for 2016.

**FINDING NUMBER 2016-007**

**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 December 28, 2015 Minutes approved for 2016 and the January 8, 2015 Minutes approved for 2015, 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 2016, Patricia Howell was reimbursed \$400 for mileage. Of this amount, \$274 (24 trips \* 25.4 miles = 609.6 miles \* \$.45 per mile = \$274.32) was for trips to the Superior Bank which is the Bank used by the EMS Club and Hook and Ladder Club.

In 2015, Patricia Howell was reimbursed \$400 for mileage. Of this amount, \$240 (21 trips \* 25.4 miles = 533.4 miles \* \$.45 per mile = \$240.03) was for trips to the Superior Bank which is the Bank used by the EMS Club and Hook and Ladder Club.

This resulted in a total overpayment of \$514 for mileage reimbursements in 2016 and 2015.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Assistant EMS Chief, Patricia Howell, in the amount of \$514 and in favor of Wayne Township’s Fire and Rescue Ambulance EMS Service Fund, in the amount of \$514.

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 Kevin L. Sidener, Trustee Erick Thomas Werling, Trustee Charles A. Haggard, and Fiscal Officer Holly Turner, signed the warrants resulting in the improper payments to Assistant EMS Chief, Patricia Howell. Accordingly, Trustee Kevin L. Sidener, Trustee Erick Thomas Werling Trustee Charles A. Haggard, and Fiscal Officer Holly Turner, will be jointly and severally liable in the amount of \$514 and in favor of Wayne Township’s Fire and Rescue Ambulance EMS Service Fund, to the extent that recovery or restitution is not obtained from Assistant EMS Chief, Patricia Howell. Trustee Kevin L. Sidener, Trustee Erick Thomas Werling and Trustee Charles A. Haggard’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 NUMBER 2016-006  
(Continued)**

**OFFICIALS' RESPONSE:** Patricia Howell is a volunteer for the Wayne Township EMS department and as such does not receive any compensation for the many hours she contributes to the department. Patricia Howell is also the treasurer both the fire and EMS departments. Part of her duties entails paying the expenses of the departments and keeping banking records. The expenses that are paid include expenditures that are necessary to the running of both departments, making it necessary for her to make trips to the bank.

**FINDING NUMBER 2016-008**

**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.

**Ohio Rev. Code Section 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established.

The Township operates a volunteer Fire Department and a volunteer Emergency Medical Services (EMS) Department from levies passed by the voters. The .75 mill levy is for the purpose of providing and maintaining fire apparatus, appliances, buildings, or sites, or sources of water supply and materials, or the establishment and maintenance of lines of fire alarm telegraph, or the payment of permanent, part-time, or volunteer firefighting companies to operate the same, including the payment of the firefighters employers' contribution, or the purchase or provision of ambulance equipment, or paramedic or medical emergency medical services operated by a fire department or firefighting company.

The 1 mill levy is for the purpose of providing and maintaining fire apparatus, appliances, buildings, and the payment of volunteer fire association to operate the Wayne Township fire equipment. The proceeds of these levies are recorded in the Fire District Fund.

The Township's 2.5 mills EMS levy is for the purpose of providing emergency medical services. The Township owns all equipment and records all revenue collected and expenses paid for both departments. These departments are staffed by volunteers, therefore, the Township has no employees through the Departments. The proceeds of this levy are recorded in Fire and Rescue Ambulance EMS Services Fund.

The volunteer Fire Department has established the Wayne Township Hook and Ladder Club and the volunteer EMS Department has established the Wayne Township E.M.S. Club. During 2016 and 2015, the Township donated \$2,500 each year from the Fire District Fund to the Wayne Township Hook and Ladder Club. The Township also donated \$2,500 each year from the Fire and Rescue Ambulance EMS Services Fund to the Wayne Township E.M.S. Club. These donations do not meet the purpose of the tax levies that support these Funds.

**FINDING NUMBER 2016-008**  
**(Continued)**

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 Fiscal Officer, Holly Turner, in the amount of \$10,000 and in favor of the Wayne Township, Fire District Fund and the Fire and Rescue Ambulance EMS Services Fund, in the amount of \$5,000 each. Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

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 Kevin L. Sidener, Trustee Erick Thomas Werling, and Trustee Charles A. Haggard, signed the warrants resulting in the improper payments to the Wayne Township Hook and Ladder Club and the Wayne Township E.M.S. Club. Accordingly, Trustee Kevin L. Sidener, Trustee Erick Thomas Werling, and Trustee Charles A. Haggard, will be jointly and severally liable in the amount of \$10,000 and in favor of Wayne Township's Fire District Fund and the Fire and Rescue Ambulance EMS Services Fund, in the amount of \$5,000 each, to the extent that recovery or restitution is not obtained from Fiscal Officer Holly Turner. Their bonding company is Ohio Township Association Risk Management Authority.

**OFFICIALS' RESPONSE:** The Wayne Township Trustees have given the Wayne Township Fire Department and EMS Departments authority to run the departments as they deem necessary and allow the fire and EMS member's flexibility in operating on a day to day basis. Large investments and major policy decisions are left to be discussed with the trustees at their monthly meetings. As such the trustees have opted to give a donation to the Fire and EMS department clubs on an annual basis for the operations of the departments. This money is used for cleaning supplies, office supplies, minor equipment repairs and maintenance. The amount the departments spend in a year far exceeds the \$5,000.00 given by the township and the member subsidize this with fundraising efforts. Copies of receipts for both 2015 & 2016 from the department's treasurer were presented to the auditor showing such.

**FINDING NUMBER 2016-009**

**Noncompliance Citation / Finding for Recovery**

**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, 2015 the 2016 Cemetery opening and closing fees for adults at \$600.

The Township entered into a contract with Turn-er Green, LLC on June 11, 2015 for the period of May 1, 2015 to April 30, 2016, and on June 9, 2016 for the period of May 1, 2016 to April 30, 2017, for a cemetery sexton to open and close graves, pour footers for tombstones, and to place veterans' markers. The contract rate for each opening and closing, other than child burials, was \$350 from January 1, 2016 through April 30, 2016 and \$400 for child and all other graves from May 1, 2016 through December 31, 2016. The rate for cremations was \$100 in both years.

**FINDING NUMBER 2016-009**  
**(Continued)**

During 2016, the Township's supporting documentation indicated that fourteen burial permits were processed for adults (eight between January 1, 2016 and April 30, 2016 and six between May 1, 2016 and December 31, 2016). Based on this documentation, \$8,400 is estimated to have been collected (fourteen openings and closings at the \$600 approved fee for adult openings and closings). In turn, \$5,200 is estimated to have been paid to Turn-er Green, LLC (eight openings and closings between January 1, 2016 and April 30, 2016 at \$350 per opening and closing is \$2,800 and six openings and closings between May 1, 2016 and December 31, 2016 at \$400 per opening and closing is \$2,400). The net estimated profit equals \$3,200 (\$8,400 estimated revenue less \$5,200 estimated expense). The Township only recorded \$2,600 in grave opening and closing revenue to the accounting records, therefore, \$600 in net estimated profit was not collected and posted to the Township accounting records.

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 rendered, jointly and severally against Turn-er Green, LLC and Fiscal Officer, Holly Turner, in the amount of \$600 and in favor of Wayne Township's, Cemetery Fund. Holly Turner's bonding company is Travelers Casualty and Surety Company of America.

**OFFICIALS' RESPONSE:** In an effort to support the cemetery fund the trustees voted in December, 2015 to increase the rate of opening and closings for 2016 to \$600.00, with \$200.00 going to the township and \$400.00 to the cemetery sexton. The first interment for the year was only charged \$350.00 as it was scheduled before the sexton could make the funeral homes aware of the increase. Internments until April 30, 2016, the sexton collected \$200.00 per opening and closing for the township (Seven openings and closings). For the remainder of the year 2016 the sexton also collected \$200.00 per opening and closing for the township (Six openings and closings). The issue is the dates of the contracts for the sexton as compared to the dates the trustees vote on the charges for service. This is something the trustees, the fiscal officer, the sexton and state auditors from the past have not even considered. Going forward the township will re-write the cemetery sexton contract to coincide with the dates the trustees vote on cemetery rates.

**FINDING NUMBER 2016-010**

**Noncompliance / Material Weakness**

**Ohio Rev. Code Section 5705.10(I)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. In 2016, disbursements in the amount of \$11,825 for road work on Akers & Hiatt Roads were recorded in the Fire District Fund as public safety disbursements instead of the Motor Vehicle License Tax Fund as public works.

The failure to record disbursements in the correct fund not only materially misstated the financial statements but it also resulted in the illegal disbursement of restricted money.

The accompanying financial statements and accounting records have been adjusted to correct this error.

The Trustees should periodically review the accounting records to help ensure that financial activity is recorded in the correct fund.

**OFFICIALS' RESPONSE:** The fund number for the Fire District is 2111 and the fund number for Motor Vehicle license Tax is 2011. This was a keyboarding error made by the fiscal officer.



# Wayne Township, Auglaize County

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**PO Box 103  
Waynesfield, OH 45896**

Trustees  
Erick Werling  
Larry Sutherland  
Kevin Sidener

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2016 and 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Trustee Salary & Insurance Reimbursement Allocation	No	2014-001 see Finding 2016-003
2014-002	Cemetery Activity	No	2014-002 see Finding 2016-004, 2016-009
2014-003	Bank to Book Reconciliations	No	2014-003 see Finding 2016-001
2014-004	Classification of Financial Activity	No	2014-004 see Finding 2016-002

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# Dave Yost • Auditor of State

WAYNE TOWNSHIP

AUGLAIZE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 23, 2018