



Dave Yost • Auditor of State



**WAYNE TOWNSHIP  
KNOX COUNTY  
DECEMBER 31, 2017 AND 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	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, 2017 .....	3
Notes to the Financial Statements: For the Year Ended December 31, 2017 .....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2016 .....	11
Notes to the Financial Statements: For the Year Ended December 31, 2016 .....	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Wayne Township  
Knox County  
8787 Sparta Road  
Fredericktown, Ohio 43019

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 the Wayne Township, Knox County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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 1 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, 2017 and 2016, 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 the Wayne Township, Knox County as of December 31, 2017 and 2016, 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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

October 22, 2018

**WAYNE TOWNSHIP**  
**KNOX 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	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 33,952	\$ 42,827	\$ -	\$ 76,779
Licenses, Permits and Fees	4,001	-	-	4,001
Intergovernmental	25,015	121,279	-	146,294
Earnings on Investments	1	1	-	2
Miscellaneous	1,563	-	-	1,563
<i>Total Cash Receipts</i>	<u>64,532</u>	<u>164,107</u>	<u>-</u>	<u>228,639</u>
<b>Cash Disbursements</b>				
Current:				
General Government	53,071	840	-	53,911
Public Works	-	150,655	-	150,655
<i>Total Cash Disbursements</i>	<u>53,071</u>	<u>151,495</u>	<u>-</u>	<u>204,566</u>
<i>Net Change in Fund Cash Balances</i>	11,461	12,612	-	24,073
<i>Fund Cash Balances, January 1</i>	<u>19,564</u>	<u>71,580</u>	<u>1,086</u>	<u>92,230</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	1,000	1,000
Restricted	-	84,192	86	84,278
Unassigned	31,025	-	-	31,025
<i>Fund Cash Balances, December 31</i>	<u>\$31,025</u>	<u>\$84,192</u>	<u>\$1,086</u>	<u>\$116,303</u>

*See accompanying notes to the financial statements*

**Wayne Township, Ohio**  
Knox County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Knox County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance. Fire protection and emergency medical services. are provided by Fredericktown Community Fire District and Fredericktown Community Joint Emergency Ambulance District, respectively.

The Township participates in three jointly governed organizations, and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 8 and 7 to the financial statements provides additional information for these entities.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds of specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specified purposes. The Township had the following significant Special Revenue Funds:



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

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

A summary of 2017 budgetary activity appears in Note 3.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance**

For December 31, 2017, 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**G. Property, Plant, and Equipment**

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

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

**2. EQUITY IN POOLED 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	\$116,303

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation;

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,523	\$64,532	\$11,009
Special Revenue	179,595	164,107	(15,488)
Permanent	0	0	0
Total	\$233,118	\$228,639	(\$4,479)

2017 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,087	\$53,071	\$20,016
Special Revenue	251,175	151,495	99,680
Permanent	1,086	0	1,086
Total	\$325,348	\$204,566	\$120,782

**4. PROPERTY TAX**

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.

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

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

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2017 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, 2017.

**6. POSTEMPLOYMENT BENEFITS**

OPERS offer 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 1.0 percent during calendar year 2017.

**7. 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.

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

**7. RISK MANAGEMENT (CONTINUED)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	<b>2017</b>
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 \$ 3,148.

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.

Contributions to OTARMA for 2017           \$7,155.00

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.

**8. JOINTLY GOVERNED ORGANIZATIONS**

**Fredericktown Community Joint Emergency Ambulance District**

The Fredericktown Community Joint Emergency Ambulance District, (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.71. The District consists of Berlin, Middlebury, Morris, Wayne and Pike Townships and the Village. The District Board consists of six board members which includes one representative from each Township and the Village of Fredericktown.

**Fredericktown Community Fire District**

The Fredericktown Community Fire District, (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District Board consists of six board members which includes one representative from each Township and the Village. The District includes Berlin, Middlebury, Morris (a portion of the Township), Wayne and Pike Townships and the Village of Fredericktown.

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

**8. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**Fredericktown Joint Recreation District**

Fredericktown Recreation District, (the District) is jointly governed by the Village of Fredericktown, Berlin Township, Middlebury Township, Morris Township, Pike Township, and Wayne Township. Each Township appoints one board member of the Board and the Village of Fredericktown appoints two, for a total of seven board members.

**WAYNE TOWNSHIP**  
**KNOX 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, 2016

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 29,953	\$ 38,125	\$ -	\$ -	\$ 68,078
Licenses, Permits and Fees	3,180	-	-	-	3,180
Intergovernmental	25,695	120,947	22,695	-	169,337
Earnings on Investments	2	2	-	-	4
Miscellaneous	2,158	22,695	-	-	24,853
<i>Total Cash Receipts</i>	<u>60,988</u>	<u>181,769</u>	<u>22,695</u>	<u>-</u>	<u>265,452</u>
<b>Cash Disbursements</b>					
Current:					
General Government	80,293	434	-	-	80,727
Public Works	-	158,424	22,695	-	181,119
Debt Service:					
Principal Retirement	-	39,323	-	-	39,323
Interest and Fiscal Charges	-	2,354	-	-	2,354
<i>Total Cash Disbursements</i>	<u>80,293</u>	<u>200,535</u>	<u>22,695</u>	<u>-</u>	<u>303,523</u>
<i>Net Change in Fund Cash Balances</i>	(19,305)	(18,766)	-	-	(38,071)
<i>Fund Cash Balances, January 1</i>	<u>38,869</u>	<u>90,346</u>	<u>-</u>	<u>1,086</u>	<u>130,301</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	1,000	1,000
Restricted	-	71,580	-	86	71,666
Unassigned	19,564	-	-	-	19,564
<i>Fund Cash Balances, December 31</i>	<u>\$19,564</u>	<u>\$71,580</u>	<u>\$0</u>	<u>\$1,086</u>	<u>\$92,230</u>

*See accompanying notes to the financial statements*

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Wayne Township, Knox County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance. Fire protection and emergency medical services. are provided by Fredericktown Community Fire District and Fredericktown Community Joint Emergency Ambulance District, respectively.

The Township participates in three jointly governed organizations, and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 9 and 8 to the financial statements provides additional information for these entities.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds of specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specified purposes. The Township had the following significant Special Revenue Funds:



**Wayne Township, Ohio**  
Knox County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**4. Capital Project Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund:

OPWC Grant - The Township received a grant from the State of Ohio to pave 1.45 miles of gravel road. Funds were received in 2016 for payment back to the township.

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

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

A summary of 2016 budgetary activity appears in Note 3.

**Wayne Township, Ohio**  
Knox County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Balance**

For December 31, 2016, 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**G. Property, Plant, and Equipment**

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

**Wayne Township, Ohio**  
 Knox County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2016  
 (Continued)

**2. EQUITY IN POOLED 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:

	2016
Demand deposits	\$92,230

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation;

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,825	\$60,988	\$7,163
Special Revenue	180,798	181,769	971
Capital Projects	22,695	22,695	0
Permanent	0	0	0
<b>Total</b>	<b>\$257,318</b>	<b>\$265,452</b>	<b>\$8,134</b>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,775	\$80,293	\$14,482
Special Revenue	269,061	200,535	68,526
Capital Projects	22,695	22,695	0
Permanent	1,086	0	1,086
<b>Total</b>	<b>\$387,617</b>	<b>\$303,523</b>	<b>\$84,094</b>

**4. PROPERTY TAX**

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.

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

**Wayne Township, Ohio**  
Knox County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

**5. DEBT**

In 2016 the Township paid off the 2012 Truck Loan early. A normal payment of 14,306 in June 2016 and the balance was paid on December 29, 2016 by the amount given for payoff on that day by the lender, First Knox National Bank, Mount Vernon, Ohio.

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2016 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.

**7. POSTEMPLOYMENT BENEFITS**

OPERS offer 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.

**8. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 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..

**Wayne Township, Ohio**  
 Knox County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2016  
 (Continued)

**8. RISK MANAGEMENT (CONTINUED)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
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 \$3,251.

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.

Contributions to OTARMA

Contributions to OTARMA for 2016            \$7,224.00

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.

**9. JOINTLY GOVERNED ORGANIZATIONS**

**Fredericktown Community Joint Emergency Ambulance District**

The Fredericktown Community Joint Emergency Ambulance District, (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.71. The District consists of Berlin, Middlebury, Morris, Wayne and Pike Townships and the Village. The District Board consists of six board members which includes one representative from each Township and the Village of Fredericktown.

**Wayne Township, Ohio**  
Knox County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

**9. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**Fredericktown Community Fire District**

The Fredericktown Community Fire District, (the District) is a jointly governed organization pursuant to Ohio Revised Code Section 505.371. The District Board consists of six board members which includes one representative from each Township and the Village. The District includes Berlin, Middlebury, Morris (a portion of the Township), Wayne and Pike Townships and the Village of Fredericktown.

**Fredericktown Joint Recreation District**

Fredericktown Recreation District, (the District) is jointly governed by the Village of Fredericktown, Berlin Township, Middlebury Township, Morris Township, Pike Township, and Wayne Township. Each Township appoints one board member of the Board and the Village of Fredericktown appoints two, for a total of seven board members.



# 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  
Knox County  
8787 Sparta Road  
Fredericktown, Ohio 43019

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 the Wayne Township, Knox County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 22, 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Township's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 report is not suitable for any other purpose.



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

October 22, 2018



WAYNE TOWNSHIP  
KNOX COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Financial Statement Presentation – Material Weakness**

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.

We noted the following reclassification adjustments that were made to the financial statements due to lack of board monitoring; the following posting errors were noted:

For 2016 Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis):

- The General Fund had overstated property tax receipts by \$7,406 and understated intergovernmental receipts by \$7,406.
- The Special Revenue Fund had understated miscellaneous receipts in the amount of \$22,695 and overstated property tax receipts and intergovernmental receipts by \$19,536 and \$3,159, respectively.
- The Special Revenue Fund had overstated capital outlay disbursements by \$41,677 and understated principal and interest disbursements by \$39,323 and \$2,354, respectively.
- The Permanent Fund had overstated restricted fund balance and understated nonspendable fund balance by \$1,000.

The 2017 Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis):

- The General Fund had overstated property tax receipts by \$6,485 and understated intergovernmental receipts by \$6,485.
- The Special Revenue Fund had overstated property tax receipts by \$19,277 and understated intergovernmental receipts by \$19,277.
- The Permanent Fund had overstated restricted fund balance and understated nonspendable fund balance by \$1,000.

Improper recording of receipts and disbursements can lead to misstatements in the financial statements as well as make it difficult to effectively monitor the Township's activities or identify misstatements in a timely manner. This can also lead to wrong fluctuations in expected receipts verse actual. The adjustments have been made and are presented in the financial statements.

We recommend the Township take steps to ensure the accurate posting of all transactions to the financial statements. Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

**Officials' Response:** Wayne Township will make all necessary changes in an attempt to avoid the mistakes made previously.

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# Dave Yost • Auditor of State

WAYNE TOWNSHIP

KNOX COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 15, 2018