



**WAYNE TOWNSHIP  
KNOX COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees  
Wayne Township  
Knox County  
16560 Pinkley Rd.  
Fredericktown, Ohio 43019

We have audited the accompanying financial statements of Wayne Township, Knox County, Ohio, (the Township ) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Wayne Township, Knox County, Ohio as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2000 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 grants.

This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**JIM PETRO**  
Auditor of State

March 22, 2000



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$16,543	\$13,201	\$7,850	\$37,594
Intergovernmental	25,741	76,370	0	102,111
Licenses, Permits, and Fees	14,195	0	0	14,195
Earnings on Investments	505	290	0	795
Other Revenue	43	2,761	0	2,804
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	57,027	92,622	7,850	157,499
<b>Cash Disbursements:</b>				
Current:				
General Government	39,425	0	0	39,425
Public Works	13,457	89,140	0	102,597
Health	1,607	0	0	1,607
Capital Outlay	42,792	25,672	0	68,464
Debt Service:				
Principal Retirement	0	0	6,500	6,500
Interest and Fiscal Charges	0	0	1,350	1,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	97,281	114,812	7,850	219,943
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(40,254)	(22,190)	0	(62,444)
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds of Notes	32,000	0	0	32,000
Other Sources	34	0	0	34
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	32,034	0	0	32,034
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(8,220)	(22,190)	0	(30,410)
Fund Cash Balances, January 1, 1999	<hr/>	<hr/>	<hr/>	<hr/>
	18,644	43,488	0	62,132
<b>Fund Cash Balances, December 31, 1999</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$10,424</b>	<b>\$21,298</b>	<b>\$0</b>	<b>\$31,722</b>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Interest	\$56
Total Operating Cash Receipts	56
<b>Operating Cash Disbursements:</b>	
Personal Services	54
Total Operating Cash Disbursements	54
Operating Receipts over (under) Operating Disbursements	2
Fund Cash Balance, January 1, 1999	1,013
<b>Fund Cash Balance, December 31, 1999</b>	<b>\$1,015</b>

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



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$16,721	\$13,147	\$8,132	\$38,000
Intergovernmental	33,998	78,578	0	112,576
Licenses, Permits, and Fees	5,854	0	0	5,854
Earnings on Investments	439	418	0	857
	<u>57,012</u>	<u>92,143</u>	<u>8,132</u>	<u>157,287</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	35,053	0	0	35,053
Public Works	11,063	75,860	0	86,923
Health	651	0	0	651
Debt Service:				
Note Principal Retirement	0	0	6,499	6,499
Interest and Fiscal Charges	0	0	1,633	1,633
	<u>46,767</u>	<u>75,860</u>	<u>8,132</u>	<u>130,759</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,245</u>	<u>16,283</u>	<u>0</u>	<u>26,528</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Sources	<u>1,038</u>	<u>0</u>	<u>0</u>	<u>1,038</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,283	16,283	0	27,566
Fund Cash Balances, January 1, 1998	<u>7,361</u>	<u>27,205</u>	<u>0</u>	<u>34,566</u>
<b>Fund Cash Balances, December 31, 1998</b>	<b><u>\$18,644</u></b>	<b><u>\$43,488</u></b>	<b><u>\$0</u></b>	<b><u>\$62,132</u></b>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Interest	\$54
Total Operating Cash Receipts	54
<b>Operating Cash Disbursements:</b>	
Personal Services	79
Total Operating Cash Disbursements	79
Operating Receipts over (under) Operating Disbursements	(25)
Fund Cash Balance, January 1, 1998	1,038
<b>Fund Cash Balance, December 31, 1998</b>	<b>\$1,013</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Wayne Township, Knox County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road repair bridge maintenance.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost. These Certificates are reported as assets. Accordingly, purchases are not recorded as disbursements, and sales are not recorded as receipts.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness.

**4. Fiduciary Fund (Trust Fund)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Township had the following significant Fiduciary Fund:

Cemetery Bequest - This fund receives interest income from bequests for the benefit of the cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$31,737	\$62,145
Certificates of deposit	<u>1,000</u>	<u>1,000</u>
Total deposits	<u>\$32,737</u>	<u>\$63,145</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

**1999 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,851	\$89,061	\$11,210
Special Revenue	86,727	92,622	5,895
Debt Service	7,950	7,850	(100)
Non-Expendable Trust	<u>50</u>	<u>56</u>	<u>6</u>
Total	<u>\$172,578</u>	<u>\$189,589</u>	<u>\$17,011</u>

**1999 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,495	\$97,281	(\$32,786)
Special Revenue	130,215	114,812	15,403
Debt Service	7,950	7,850	100
Non-Expendable Trust	64	54	10
Total	<u>\$202,724</u>	<u>\$219,997</u>	<u>(\$17,273)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**1998 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,740	\$58,050	\$16,310
Special Revenue	84,142	92,143	8,001
Debt Service	8,132	8,132	0
Non-Expendable Trust	<u>0</u>	<u>54</u>	<u>54</u>
Total	<u>\$134,014</u>	<u>\$158,379</u>	<u>\$24,365</u>

**1998 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,078	\$46,767	\$2,311
Special Revenue	111,415	75,860	35,555
Debt Service	8,132	8,132	0
Non-Expendable Trust	<u>100</u>	<u>79</u>	<u>21</u>
Total	<u>\$168,725</u>	<u>\$130,838</u>	<u>\$37,887</u>

In 1999, expenditures exceeding appropriations in the General Fund contrary to Ohio Rev. Code Section 5705.41(B).

**4. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$32,000	5.95%
General Obligation Notes	\$13,000	8.25%

In 1995, \$65,000 of Notes were issued for the purchase of a truck and equipment. Notes were also issued in 1999 for \$32,000 for the purchase of a tractor.

Amortization of the notes, including interest, is scheduled below:

<u>Year ending December 31:</u>	<u>General Obligation Notes (Truck and Equipment)</u>	<u>General Obligation Notes (Tractor)</u>
2000	\$9,181	\$6,855
2001	9,718	7,241
2002	0	7,627
2003	0	8,013
2004	<u>0</u>	<u>8,400</u>
Total	<u>\$18,899</u>	<u>\$38,136</u>

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public official's liability

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Wayne Township  
Knox County  
16560 Pinkley Rd.  
Fredericktown, Ohio 43019

We have audited the accompanying financial statements of Wayne Township, Knox County, Ohio (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 22, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-40642-001 to 1999-40642-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 22, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 22, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**JIM PETRO**  
Auditor of State

March 22, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

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

**FINDING NUMBER 1999-40642-001**

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

In 1999 expenditures exceeded appropriations in the General Fund by \$32,785.

The Board of Trustees should monitor appropriations and expenditures throughout the year and adopt and file supplemental appropriation measures when necessary.

**FINDING NUMBER 1999-49642-002**

Ohio Rev. Code Section 5549.21 states that competitive bidding is required for the purchase of materials, machinery, and tools to be used in constructing, maintaining, and repairing roads and culverts, where the amount involved exceeds \$15,000.

A tractor and mower purchased for \$42,792 and \$25,672 were not competitively bid.

The Township should advertise for bids for equipment to be used for road maintenance and purchase the equipment from the lowest and best bidder.

**FINDING NUMBER 1999-40642-003**

**Finding for Recovery - Repaid While Under Audit**

In January and June of 1998, the per diem payroll record of Trustee Stephen Frazier indicated the following:

	<u>Days worked</u>	<u>Per diem rate</u>	<u>Amount Authorized under Ohio Rev. Code</u>	<u>Dollar Amount Paid</u>	<u>Dollar Amount Overpaid</u>
January 1998	13	\$28.50	\$370.50	\$427.50	\$57.00
June 1998	15	\$28.50	\$427.50	\$484.50	<u>\$57.00</u>
Total					<u><u>\$114.00</u></u>

As a result of the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Steven Frazier and the Ohio Government Risk Management Plan, his bonding company, jointly and severally, in the amount of one hundred and fourteen dollars (\$114) and in favor of the Township's General Fund.

The overpayment was promptly repaid to the Township's General Fund on April 20, 2000.

The Township Trustees should present the per diem records to the Clerk each month as supporting evidence for worked preformed before payroll checks are issued. Also, the per diem books should be signed by the Trustees each month.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**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  
MAY 16, 2000**