



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

WAYNE TOWNSHIP
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Township
Columbiana County
13209 State Route 164
Lisbon, OH 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Columbiana County (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 and reserves for encumbrances of the Township as of December 31, 2001 and 2000, 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 June 24, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under § 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

June 24, 2002

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**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$8,369	\$36,412	\$0	\$44,781
Intergovernmental	18,684	70,187		88,871
Earnings on Investments	704	507		1,211
Other Revenue	1,218	9,700		10,918
	<u>28,975</u>	<u>116,806</u>	<u>0</u>	<u>145,781</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	25,547			25,547
Public Safety		16,764		16,764
Public Works	20,650	114,237		134,887
Health	1,493			1,493
	<u>47,690</u>	<u>131,001</u>	<u>0</u>	<u>178,691</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	<u>(18,715)</u>	<u>(14,195)</u>	<u>0</u>	<u>(32,910)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			965	965
Advances-In	6,620	6,620		13,240
Transfers-Out		(965)		(965)
Advances-Out	(6,620)	(6,620)		(13,240)
Other Sources		5,000		5,000
	<u>0</u>	<u>4,035</u>	<u>965</u>	<u>5,000</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(18,715)</u>	<u>(10,160)</u>	<u>965</u>	<u>(27,910)</u>
Fund Cash Balances, January 1	<u>20,542</u>	<u>30,496</u>	<u>0</u>	<u>51,038</u>
Fund Cash Balances, December 31	<u><u>\$1,827</u></u>	<u><u>\$20,336</u></u>	<u><u>\$965</u></u>	<u><u>\$23,128</u></u>

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

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$8,469	\$36,380	\$0	\$44,849
Intergovernmental	35,016	67,154		102,170
Earnings on Investments	1,590	511		2,101
Other Revenue	2,134	1,646		3,780
	<u>47,209</u>	<u>105,691</u>	<u>0</u>	<u>152,900</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	28,698			28,698
Public Safety		16,684		16,684
Public Works	31,768	82,787		114,555
Health	1,413			1,413
Capital Outlay			10,000	10,000
	<u>61,879</u>	<u>99,471</u>	<u>10,000</u>	<u>171,350</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(14,670)</u>	<u>6,220</u>	<u>(10,000)</u>	<u>(18,450)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	15,000			15,000
Advances-In	400	400		800
Transfers-Out			(15,000)	(15,000)
Advances-Out	(400)	(400)		(800)
	<u>15,000</u>	<u>0</u>	<u>(15,000)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	330	6,220	(25,000)	(18,450)
Fund Cash Balances, January 1	<u>20,212</u>	<u>24,276</u>	<u>25,000</u>	<u>69,488</u>
Fund Cash Balances, December 31	<u>\$20,542</u>	<u>\$30,496</u>	<u>\$0</u>	<u>\$51,038</u>
Reserve for Encumbrances, December 31	<u>\$18,352</u>	<u>\$10,471</u>	<u>\$0</u>	<u>\$28,823</u>

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

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Wayne Township, Columbiana County, (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 road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with Highlandtown, West Point, and Franklin Township to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost .

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 to construct, maintain and repair Township roads and bridges.

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond (Note) Retirement Fund - This fund receives money to finance the Township's general obligation debt.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Capital Equipment Projects Fund - This fund receives money to finance the Township's equipment.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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:

	2001	2000
Demand deposits	\$20,728	\$19,127
Certificates of deposit	2,400	31,911
Total deposits	\$23,128	\$51,038

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,018	\$28,975	(\$20,043)
Special Revenue	145,772	121,806	(23,966)
Debt Service	965	965	0
Total	\$195,755	\$151,746	(\$44,009)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,290	\$47,690	\$3,600
Special Revenue	122,807	131,966	(9,159)
Total	\$174,097	\$179,656	(\$5,559)

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,539	\$62,209	\$3,670
Special Revenue	101,646	105,691	4,045
Capital Projects	(15,000)	0	(15,000)
Total	\$145,185	\$167,900	(\$7,285)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,442	\$80,231	(\$29,789)
Special Revenue	115,711	109,942	5,769
Capital Projects	25,000	25,000	0
Total	\$191,153	\$215,173	(\$24,020)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$3,020, Motor Vehicle License Tax fund by \$549, Gasoline Tax fund by \$6,354, Road & Bridge fund by \$7,122 and Miscellaneous fund by \$7,999 for the year ended December 31, 2001. Expenditures also exceeded appropriation authority in the General fund by \$11,837 for the year ended December 31, 2000. The Township did not always certify the availability of funds prior to entering into purchase commitments as required by Ohio Revised Code Section 5705.41(D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$5,075	5.45%

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

The general obligation notes were issued to finance the purchase of a new tractor mower to be used for township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

	<u>General Obligation Notes</u>
Year ending December 31:	
2002	1,907
2003	1,907
2004	<u>1,907</u>
Total	<u><u>\$5,721</u></u>

6. RETIREMENT SYSTEMS

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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participant's' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. CONTINGENT LIABILITIES

The District is one of several Townships named in a Board of Tax Appeal Case. The case deals with the alternate formula for distribution of local government tax monies. Although the outcome of this case is not presently determinable, counsel believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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

Wayne Township
Columbiana County
13209 State Route 164
Lisbon, OH 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Wayne Township, Columbiana County (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 2001-41215-01 and 2001-41215-02. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 24, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 another 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 June 24, 2002.

This report is intended solely for the information and use of the 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, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 24, 2002

**WAYNE TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41215-001

Noncompliance Citation

Ohio Rev. Code §5705.41(B) states that “no subdivision or taxing unit is to expend money unless it has been appropriated.”

It was noted that during fiscal year 2001 and 2000, disbursements exceeded appropriations in the following funds:

Fund Name	Total Appropriations	Actual Disbursements	Variance
Fiscal Year 2001			
General	51,290	54,310	(3,020)
Motor Vehicle License Tax	15,656	16,205	(549)
Gasoline Tax	53,067	59,421	(6,354)
Road & Bridge	26,076	33,198	(7,122)
Miscellaneous	0	7,999	(7,999)
Fiscal Year 2000			
General	50,442	62,279	(11,837)

The payment of purchases prior to appropriating the funds could result in the Township spending more than what is available.

We recommend that the Township implement policies and procedures to ensure that expenditures do not exceed appropriations in compliance with Ohio Rev. Code 5705.41(B).

Finding Number 2001-41215-002

Noncompliance Citation

Ohio Rev. Code Section §5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

Our test of disbursements indicated that eight expenditures tested in 2001 and 2000 were committed prior to the certification of available funds by the Township Clerk. Neither exception listed above was followed. This could lead to the Township spending money that it does not have. We recommend that the Township institute policies and procedures to ensure that funds are properly encumbered before a commitment is made.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WAYNE TOWNSHIP

COLUMBIANA 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
JULY 23, 2002**