



Dave Yost • Auditor of State



**WAYNE TOWNSHIP  
NOBLE COUNTY  
DECEMBER 31, 2016 AND 2015**

**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 (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2016 .....	3
Notes to the Financial Statement – December 31, 2016.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015 .....	11
Notes to the Financial Statement – December 31, 2015.....	13
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
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	24

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Wayne Township  
Noble County  
58533 Kennonsburg Road  
Salesville, Ohio 43778

To the Board of Trustees:

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

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

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Wayne Township, Noble County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 December 6, 2017, 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

December 6, 2017

**Wayne Township***Noble County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

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	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$51,237	\$0	\$51,237
Licenses, Permits and Fees	590	1,119	1,709
Intergovernmental	19,902	80,076	99,978
Earnings on Investments	84	41	125
Miscellaneous	1,330	75	1,405
<i>Total Cash Receipts</i>	<u>73,143</u>	<u>81,311</u>	<u>154,454</u>
<b>Cash Disbursements</b>			
Current:			
General Government	30,048	2,118	32,166
Public Safety	1,328	0	1,328
Public Works	0	72,616	72,616
Health	6,031	1,500	7,531
Capital Outlay	3,940	0	3,940
<i>Total Cash Disbursements</i>	<u>41,347</u>	<u>76,234</u>	<u>117,581</u>
<i>Excess of Receipts Over Disbursements</i>	<u>31,796</u>	<u>5,077</u>	<u>36,873</u>
<i>Fund Cash Balances, January 1</i>	<u>150,752</u>	<u>66,693</u>	<u>217,445</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	71,770	71,770
Assigned	37,900	0	37,900
Unassigned	144,648	0	144,648
<i>Fund Cash Balances, December 31</i>	<u><u>\$182,548</u></u>	<u><u>\$71,770</u></u>	<u><u>\$254,318</u></u>

*See accompanying notes to the basic financial statements*

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**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
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 Wayne Township, Noble 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. The Township contracts with the Village of Quaker City to provide fire protection and ambulance services.

The Township participates in the Ohio Township Risk Management Association (OTARMA) public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**B. Accounting Basis**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township has an interest-bearing checking account and an interest-bearing savings account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

WAYNE TOWNSHIP  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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. 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.

F. Fund Balance

Fund balance is divided into three 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. 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.

2. Assigned

Assigned fund balances are intended for specific purposes but 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.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016  
(Continued)**

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

**F. Fund Balance (Continued)**

**2. Assigned (Continued)**

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.

**3. 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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2016
Demand deposits	\$221,629
Other time deposits (savings account)	32,689
Total deposits	\$254,318

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,000	\$73,143	\$18,143
Special Revenue	93,510	81,311	(12,199)
Total	\$148,510	\$154,454	\$5,944

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,576	\$41,347	\$15,229
Special Revenue	195,500	76,234	119,266
Total	\$252,076	\$117,581	\$134,495

Contrary to Ohio Rev. Code § 5705.10 (D), a cents-per-gallon receipt, a motor vehicle registration receipt and a permissive license plate tax receipt were posted entirely to the General Fund instead of the Gasoline Tax Fund.

Contrary to Ohio Rev. Code § 5705.38, the Trustees did not adopt permanent appropriations.

**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.

**5. RETIREMENT SYSTEM**

The Township's elected officials and 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 includes 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.

**6. RISK MANAGEMENT**

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

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

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016  
(Continued)**

**6. RISK MANAGEMENT (continued)**

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.

Financial Position

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

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

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. This amount 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 \$2,000.

WAYNE TOWNSHIP  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016  
(Continued)

6. RISK MANAGEMENT (continued)

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

<u>Contributions to OTARMA</u>
2016 - \$4,725

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

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$50,930	\$0	\$50,930
Licenses, Permits and Fees	445	1,061	1,506
Fines and Forfeitures	0	0	0
Intergovernmental	13,350	93,425	106,775
Earnings on Investments	72	51	123
Miscellaneous	1,525	525	2,050
<i>Total Cash Receipts</i>	<u>66,322</u>	<u>95,062</u>	<u>161,384</u>
<b>Cash Disbursements</b>			
Current:			
General Government	32,391	5,275	37,666
Public Safety	1,328	0	1,328
Public Works	0	129,291	129,291
Health	8,700	457	9,157
<i>Total Cash Disbursements</i>	<u>42,419</u>	<u>135,023</u>	<u>177,442</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,903</u>	<u>(39,961)</u>	<u>(16,058)</u>
<i>Fund Cash Balances, January 1</i>	<u>126,849</u>	<u>106,654</u>	<u>233,503</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	66,693	66,693
Unassigned	150,752	0	150,752
<i>Fund Cash Balances, December 31</i>	<u><u>\$150,752</u></u>	<u><u>\$66,693</u></u>	<u><u>\$217,445</u></u>

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

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**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015**

**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 Wayne Township, Noble 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. The Township contracts with the Village of Quaker City to provide fire protection and ambulance services.

The Township participates in the Ohio Township Risk Management Association (OTARMA) public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

**B. Accounting Basis**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township has an interest-bearing checking account and an interest-bearing savings account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**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. 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 2015 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into two 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. 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.

**2. 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.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015  
(Continued)**

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

**F. Fund Balance (Continued)**

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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2015
Demand deposits	\$184,772
Other time deposits (savings account)	32,673
Total deposits	\$217,445

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,000	\$66,322	\$11,322
Special Revenue	93,510	95,062	1,552
Total	\$148,510	\$161,384	\$12,874

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,576	\$42,419	\$14,157
Special Revenue	195,500	135,023	60,477
Total	\$252,076	\$177,442	\$74,634

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015  
(Continued)**

**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.

**5. RETIREMENT SYSTEM**

The Township's elected officials and 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015  
(Continued)**

**6. RISK MANAGEMENT**

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015:

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

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. This amount will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u><b>Contributions to OTARMA</b></u>
2015 - \$4,557

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.

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# Dave Yost • Auditor of State

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

Wayne Township  
Noble County  
58533 Kennonsburg Road  
Salesville, Ohio 43778

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Wayne Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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

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

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

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

***Compliance and Other Matter***

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 a instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2016-001 and 2016-002.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

December 6, 2017



**WAYNE TOWNSHIP  
NOBLE COUNTY**

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

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

**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. Also, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Trustees adopted temporary appropriations for 2016; however, the Trustees did not adopt permanent appropriations for 2016; therefore, this resulted in expenditures exceeding appropriations in every fund for the period April 1, 2016 through December 31, 2016.

The Trustees should approve permanent appropriation measures before April 1 of each year.

**FINDING NUMBER 2016-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose shall be paid into the general fund. Further, Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes of which such fund is established.

During 2016, a cents-per-gallon receipt, a motor vehicle registration receipt and a permissive license plate tax receipt were posted entirely to the General Fund instead of the Gasoline Tax Fund, in the amount of \$2,641, Motor Vehicle License Tax Fund, in the amount of \$478 and Permissive Motor Vehicle License Tax Fund, in the amount of \$92.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Village's financial position and operations.

The Township should be diligent in assuring all monies received and expended are properly posted to the correct fund. These adjustments, to which Township management agrees, have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

**FINDING NUMBER 2016-003**

**Material Weakness**

The Township should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Township should have procedures in place for a review of transactions posted by the Fiscal Officer.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

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

**Material Weakness (Continued)**

During 2016, the Fiscal Officer posted the following activity in the wrong receipt/disbursement classifications:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Township improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$37,900 during 2016;
- The installation of a furnace and a/c unit in the amount of \$3,940 was posted to health expenditures instead of capital outlay expenditures in the General Fund;
- A homestead and rollback receipt in the amount of \$2,392 was posted to miscellaneous receipts instead of intergovernmental receipts in the General Fund;
- Homestead and rollback receipts totaling \$7,128 was posted to taxes receipt instead of intergovernmental receipts in the General Fund;

The Fiscal Officer should review guidance within the Uniform Accounting Network Accounting & General Manual. This guidance will allow the Fiscal Officer to make proper postings to receipt and expenditure account classifications based on the source of the receipt or purpose of the expenditure. Also, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a member of the Board of Trustees, should periodically review postings to the accounting system for accuracy.

These material reclassifications and adjustments, to which management agree, have been adjusted in the accompanying Township's financial statements

**FINDING NUMBER 2016-004**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system, This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

For 2016 the Board of Trustees did not approve permanent appropriations. This caused the amounts in the Township's ledgers to be incorrect as follows:

Fund	Appropriations per Board of Trustees	Appropriations per Township's Accounting System	Variance
General	\$0	\$75,000	(\$75,000)
Motor Vehicle License Tax	0	13,500	(13,500)
Gasoline Tax	0	110,000	(110,000)
Cemetery	0	1,500	(1,500)
Permissive Motor Vehicle License Tax	0	9,000	(9,000)

WAYNE TOWNSHIP  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

FINDING NUMBER 2016-004 (Continued)

**Material Weakness (Continued)**

Without information properly entered into the system, the management of the Township lost some degree of budgetary control.

The Fiscal Officer should accurately post appropriations as approved by the Board of Trustees. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** The client has elected not to respond to the Findings reported above.

**WAYNE TOWNSHIP  
NOBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Ohio Rev. Code § 505.60 – During 2013 and 2014 the Fiscal Officer was reimbursed for out-of-pocket group term life insurance premiums for which her employer paid 100% of the premiums.	Finding is corrected.	The Fiscal Officer paid back the amount reimbursed to her by the Township that her employer paid 100% of the premiums during 2013 and 2014.
2014-002	Ohio Rev. Code § 505.24(C) – Trustees salaries and fringe benefits from January 2013 to June 2013 were paid 100% from the Gasoline Tax Fund which did not follow the payroll certifications.	Finding is corrected	The Township implemented procedures to use and follow payroll certifications for 2015 and 2016.
2014-003	Ohio Admin. Code § 117-2-02(A) – The Fiscal Officer posted several receipts in the wrong receipt classifications during 2013 and 2014.	Finding is not corrected	The Township took no corrective action and posted receipts to the wrong receipt classifications and funds during 2016.
2014-004	The Township did not properly follow GASB 54 and improperly reported appropriations in excess of estimated receipts in the General Fund balance as unassigned instead of assigned during 2013. Also, the Township had not adopted a fund balance policy.	Finding is not corrected.	The Township has taken no action and classified appropriations in excess of estimated receipts in the General Fund balance as unassigned instead of assigned for 2016.



# Dave Yost • Auditor of State

WAYNE TOWNSHIP

NOBLE 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  
JANUARY 9, 2018