



Dave Yost • Auditor of State



HOAGLIN TOWNSHIP  
VAN WERT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Hoaglin Township  
Van Wert County  
16487 Galvin Road  
Van Wert, Ohio 45891

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 Hoaglin Township, Van Wert County, Ohio (the Township) as of and for the years ended December 31, 2015 and 2014.

### ***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 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, 2015 and 2014, or 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 combined cash balances of Hoaglin Township, Van Wert County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 January 30, 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

January 30, 2017

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

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

|  | General          | Special<br>Revenue | Capital<br>Projects | Permanent    | Totals<br>(Memorandum<br>Only) |
|--|------------------|--------------------|---------------------|--------------|--------------------------------|
| <b>Cash Receipts</b>                         |                  |                    |                     |              |                                |
| Property and Other Local Taxes               | \$49,497         | \$55,706           |                     |              | \$105,203                      |
| Charges for Services                         |                  | 22,127             |                     |              | 22,127                         |
| Licenses, Permits and Fees                   | 699              | 2,250              |                     |              | 2,949                          |
| Intergovernmental                            | 57,163           | 107,182            |                     |              | 164,345                        |
| Earnings on Investments                      | 16               | 10                 |                     |              | 26                             |
| Miscellaneous                                | 2,000            | 1,400              | 3,190               |              | 6,590                          |
| <i>Total Cash Receipts</i>                   | <u>109,375</u>   | <u>188,675</u>     | <u>3,190</u>        |              | <u>301,240</u>                 |
| <b>Cash Disbursements</b>                    |                  |                    |                     |              |                                |
| Current:                                     |                  |                    |                     |              |                                |
| General Government                           | 62,905           | 792                |                     |              | 63,697                         |
| Public Safety                                |                  | 43,088             |                     |              | 43,088                         |
| Public Works                                 | 5,000            | 96,239             |                     |              | 101,239                        |
| Health                                       | 16,062           | 3,992              |                     |              | 20,054                         |
| Capital Outlay                               | 191              |                    | 7,000               |              | 7,191                          |
| <i>Total Cash Disbursements</i>              | <u>84,158</u>    | <u>144,111</u>     | <u>\$7,000</u>      |              | <u>235,269</u>                 |
| <i>Excess of Receipts Over Disbursements</i> | <u>25,217</u>    | <u>44,564</u>      | <u>(3,810)</u>      |              | <u>65,971</u>                  |
| <b>Other Financing Receipts</b>              |                  |                    |                     |              |                                |
| Other Financing Sources                      | 30               |                    |                     |              | 30                             |
| <i>Total Other Financing Receipts</i>        | <u>30</u>        |                    |                     |              | <u>30</u>                      |
| Net Change in Fund Cash Balances             | 25,247           | 44,564             | (3,810)             | 0            | 66,001                         |
| <i>Fund Cash Balances, January 1</i>         | <u>88,300</u>    | <u>120,747</u>     | <u>6,481</u>        | <u>\$658</u> | <u>216,186</u>                 |
| <b>Fund Cash Balances, December 31</b>       |                  |                    |                     |              |                                |
| Nonspendable                                 |                  |                    |                     | 500          | 500                            |
| Restricted                                   |                  | 141,825            | 2,671               | 158          | 144,654                        |
| Committed                                    |                  | 23,486             |                     |              | 23,486                         |
| Assigned                                     | 113,547          |                    |                     |              | 113,547                        |
| <i>Fund Cash Balances, December 31</i>       | <u>\$113,547</u> | <u>\$165,311</u>   | <u>\$2,671</u>      | <u>\$658</u> | <u>\$282,187</u>               |

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

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**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 Hoaglin Township, Van Wert 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 Scott, the Village of Grover Hill, the Village of Middle Point, and the City of Van Wert to provide fire service, ambulance and emergency medical services to its residents and businesses.

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

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

**C. Deposits**

The Township invests all available funds of the Township in an interest-bearing checking account and savings account.

**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 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 Funds:

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

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

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

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

Fire Fund – This fund receives property tax money to provide fire and EMS protection for Township residents.

**3. Capital Project Funds**

These funds account for and report 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 funds:

Brenneman TIF Fund – This fund receives property tax money in an amount agreed upon in a Taxation Increment Financing (TIF) agreement with the Township, owners of a large swine facility located in the Township, and the Lincolnview Board of Education. Funds received are used for rebuilding, repair and maintenance of Township roads specifically named in the agreement.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Clara Harvey 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 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.

HOAGLIN TOWNSHIP  
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

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

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

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

|                 |           |
|-----------------|-----------|
|                 | 2015      |
| Demand deposits | \$282,187 |
| Total deposits  | \$282,187 |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2015 follows:

| 2015 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$85,277             | \$109,405          | \$24,128 |
| Special Revenue                   | 196,538              | 188,675            | (7,863)  |
| Capital Projects                  | 4,400                | 3,190              | (1,210)  |
| Total                             | \$286,215            | \$301,270          | \$15,055 |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$173,577                  | \$84,158                  | \$89,419  |
| Special Revenue                                       | 317,284                    | 144,111                   | 173,173   |
| Capital Projects                                      | 10,881                     | 7,000                     | 3,881     |
| Total   | \$501,742                  | \$235,269                 | \$266,473 |

**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.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(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 plan's benefits, which include post-retirement healthcare and survivor and disability benefits.

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.

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 and 2014.

|              | <b>2015</b>  | <b>2014</b>  |
|--------------|--------------|--------------|
| Assets       | \$37,313,311 | \$35,970,263 |
| Liabilities  | 8,418,518    | 8,912,432    |
| Net Position | \$28,894,793 | \$27,057,831 |

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

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

**6. RISK MANAGEMENT (continued)**

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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

| <b>Contributions to OTARMA</b> |
|--------------------------------|
| <b>2015</b>                    |
| \$2,730                        |

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.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | General         | Special<br>Revenue | Capital<br>Projects | Permanent    | Totals<br>(Memorandum<br>Only) |
|--|-----------------|--------------------|---------------------|--------------|--------------------------------|
| <b>Cash Receipts</b>                         |                 |                    |                     |              |                                |
| Property and Other Local Taxes               | \$28,980        | \$41,341           |                     |              | \$70,321                       |
| Charges for Services                         |                 | 21,998             |                     |              | 21,998                         |
| Licenses, Permits and Fees                   | 625             | 4,351              |                     |              | 4,976                          |
| Intergovernmental                            | 57,651          | 111,728            | \$33,759            |              | 203,138                        |
| Earnings on Investments                      | 14              | 9                  |                     |              | 23                             |
| Miscellaneous                                | 8,059           | 3,450              | 3,833               |              | 15,342                         |
| <i>Total Cash Receipts</i>                   | <u>95,329</u>   | <u>182,877</u>     | <u>37,592</u>       |              | <u>315,798</u>                 |
| <b>Cash Disbursements</b>                    |                 |                    |                     |              |                                |
| Current:                                     |                 |                    |                     |              |                                |
| General Government                           | 71,258          |                    |                     |              | 71,258                         |
| Public Safety                                |                 | 46,915             |                     |              | 46,915                         |
| Public Works                                 | 1,389           | 124,070            | 33,333              |              | 158,792                        |
| Health                                       | 16,154          | 3,393              |                     |              | 19,547                         |
| Capital Outlay                               | 1,014           |                    |                     |              | 1,014                          |
| <i>Total Cash Disbursements</i>              | <u>89,815</u>   | <u>174,378</u>     | <u>\$33,333</u>     |              | <u>297,526</u>                 |
| <i>Excess of Receipts Over Disbursements</i> | <u>5,514</u>    | <u>8,499</u>       | <u>4,259</u>        |              | <u>18,272</u>                  |
| <i>Fund Cash Balances, January 1</i>         | <u>82,786</u>   | <u>112,248</u>     | <u>2,222</u>        | <u>\$658</u> | <u>197,914</u>                 |
| <b>Fund Cash Balances, December 31</b>       |                 |                    |                     |              |                                |
| Nonspendable                                 |                 |                    |                     | 500          | 500                            |
| Restricted                                   |                 | 108,157            | 6,481               | 158          | 114,796                        |
| Committed                                    |                 | 12,590             |                     |              | 12,590                         |
| Assigned                                     | 88,300          |                    |                     |              | 88,300                         |
| <i>Fund Cash Balances, December 31</i>       | <u>\$88,300</u> | <u>\$120,747</u>   | <u>\$6,481</u>      | <u>\$658</u> | <u>\$216,186</u>               |

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

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**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 Hoaglin Township, Van Wert 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 Scott, the Village of Grover Hill, the Village of Middle Point, and the City of Van Wert to provide fire service, ambulance and emergency medical services to its residents and businesses.

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

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is the Ohio Plan Risk Management, Inc. (OPRM), formerly known as the Ohio Government Risk Management Plan, ("the Plan").

**B. Accounting Basis**

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

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

**C. Deposits**

The Township invests all available funds of the Township in an interest-bearing checking account and savings account.

**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 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 Funds:

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

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

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

Fire Fund – This fund receives property tax money to provide fire and EMS protection for Township residents.

**3. Capital Project Funds**

These funds account for and report 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 funds

Issue 1 Fund (State) - The Township received a grant from the State of Ohio to resurface roadways in the Township.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Clara Harvey 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 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 2014 budgetary activity appears in Note 3.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

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

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**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.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

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

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

|                 |           |
|-----------------|-----------|
|                 | 2014      |
| Demand deposits | \$216,186 |
| Total deposits  | \$216,186 |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2014 follows:

| 2014 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$83,775             | \$95,329           | \$11,554 |
| Special Revenue                   | 176,067              | 182,877            | 6,810    |
| Capital Projects                  | 37,300               | 37,592             | 292      |
| Total                             | \$297,142            | \$315,798          | \$18,656 |

| 2014 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$136,305                  | \$89,815                  | \$46,490  |
| Special Revenue                                       | 287,661                    | 174,378                   | 113,283   |
| Capital Projects                                      | 39,108                     | 33,333                    | 5,775     |
| Total   | \$463,074                  | \$297,526                 | \$165,548 |

**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.

**HOAGLIN TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(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 plan's benefits, which include post-retirement healthcare and survivor and disability benefits.

For 2014, 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, 2014.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

|                 | <u>2013</u>        | <u>2014</u>        |
|-----------------|--------------------|--------------------|
| Assets          | \$13,774,304       | \$14,830,185       |
| Liabilities     | <u>(7,968,395)</u> | <u>(8,942,504)</u> |
| Members' Equity | <u>\$5,805,909</u> | <u>\$5,887,681</u> |

HOAGLIN TOWNSHIP  
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

**6. RISK MANAGEMENT (continued)**

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org), to the withdrawal.



# 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

Hoaglin Township  
Van Wert County  
16487 Galvin Road  
Van Wert, Ohio 45891

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 Hoaglin Township, Van Wert County, Ohio (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2017, 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 2015-001 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response 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 communication is not suitable for any other purpose.



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

January 30, 2017



HOAGLIN TOWNSHIP  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Material Weakness – Financial Reporting**

Transactions were posted to the general ledger and annual report; however, not all transactions were posted to the correct line item accounts. The following items were not properly posted during 2015 and 2014:

- In 2015 and 2014, the Township incorrectly classified alternate energy distribution receipts of \$16,023 and \$30,461, respectively, as other financing sources in the General Fund instead of as intergovernmental revenue.
- In 2015, the Township incorrectly classified alternate energy distribution receipts of \$16,023 as miscellaneous revenue in the General Fund instead of as intergovernmental revenue.
- In 2015, the Township incorrectly classified real estate fees of \$792 as general government disbursements in the General Fund instead of as general government disbursements in the Fire District Fund.
- In 2015 and 2014, the Township incorrectly classified fire protection receipts of \$22,127 and \$21,998, respectively, as miscellaneous revenue in the Fire District Fund instead of charges for services revenue.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.170-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent Improvement. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2015 and 2014, the entire General Fund balance was incorrectly classified as unassigned. The fund balance was reclassified from unassigned to assigned in the amount of \$112,755 and \$88,300, respectively, to properly reflect 2016 and 2015 appropriations made that exceeded estimated receipts per GASB 54 guidance.
- The GASB 54 fund classification for the Road and Bridge Fund requires that the fund be classified as committed if the levy is inside millage. This resulted in adjusting \$23,486 and \$12,590 in the Special Revenue Fund balance from restricted to committed for 2015 and 2014, respectively.
- In 2015, a portion of the Permanent Cemetery Fund was incorrectly classified as nonspendable. \$158 was reclassified from nonspendable to restricted to properly reflect the amount of earnings on the principal of the original donation per GASB 54 guidance.

The 2015 and 2014 annual reports required audit adjustments and reclassifications for proper presentation. The adjustments are reflected on the accompanying financial statements and the Township's records.

The Township fiscal officer should review the Township Handbook for proper posting and use due care in preparation of the annual report. The Township fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts. The Fiscal Officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements.

**Officials' Response:**

I have added the Intergovernmental Revenue account to both the General Fund and the Fire Fund and have re-allocated the alternate energy distribution receipts into those accounts in 2016 and I will continue this action in future years.

I have added the Services Rendered account to the Fire Fund and have re- allocated the receipt from Cooper Farms to that account in 2016 and will continue this action in future years.

During the end of year procedures in 2016,I reclassified the General Fund balance as assigned, and the Road and Bridge Fund balance as committed as per GASB 54 protocol and will continue to monitor the Fund classifications in the future.

I have reclassified a portion of the Permanent Cemetery Fund as restricted instead of non-spendable and will monitor this fund more closely.

I will endeavor to review my postings of receipts and expenditures each month and at year end to verify that all postings are in accordance with the Chart of Accounts and that there have been no posting errors.

HOAGLIN TOWNSHIP  
VAN WERT COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014

| <b>Finding Number</b> | <b>Finding Summary</b>                              | <b>Status</b>    | <b>Additional Information</b> |
|-----------------------|---|------------------|-------------------------------|
| 2013-001              | Material Weakness –<br>Classifying Cash<br>Receipts | Not<br>Corrected | Repeated as Finding 2015-001. |

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# Dave Yost • Auditor of State

HOAGLIN TOWNSHIP

VAN WERT 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  
MARCH 28, 2017