



**WAKEMAN TOWNSHIP FIRE DISTRICT
HURON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAKEMAN TOWNSHIP FIRE DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Wakeman Township Fire District
Huron County
PO Box 55
Wakeman, Ohio 44889-0055

To the Board of Trustees:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

Jim Petro
Auditor of State

May 16, 2000

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**WAKEMAN TOWNSHIP FIRE DISTRICT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$53,047	\$35,504	\$88,551
Intergovernmental	10,124	3,000	13,124
Charges for Services	16,465		16,465
Earnings on Investments	8,190		8,190
Miscellaneous	589	2,225	2,814
	<u>88,415</u>	<u>40,729</u>	<u>129,144</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	55,728		55,728
Miscellaneous		929	929
Capital Outlay		43,482	43,482
	<u>55,728</u>	<u>44,411</u>	<u>100,139</u>
Total Disbursements			
	<u>55,728</u>	<u>44,411</u>	<u>100,139</u>
Total Receipts Over/(Under) Disbursements	32,687	(3,682)	29,005
Fund Cash Balances, January 1	<u>242,155</u>	<u>135,926</u>	<u>378,081</u>
Fund Cash Balances, December 31	<u>\$274,842</u>	<u>\$132,244</u>	<u>\$407,086</u>
Reserves for Encumbrances, December 31	<u>\$15,354</u>	<u></u>	<u>\$15,354</u>

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

**WAKEMAN TOWNSHIP FIRE DISTRICT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$50,943	\$34,108	\$85,051
Intergovernmental	9,950		9,950
Charges for Services	14,122		14,122
Earnings on Investments	6,801		6,801
Miscellaneous	7,595		7,595
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	89,411	34,108	123,519
Cash Disbursements:			
Current:			
General Government	58,139		58,139
Miscellaneous		1,288	1,288
Capital Outlay		14,000	14,000
	<hr/>	<hr/>	<hr/>
Total Disbursements	58,139	15,288	73,427
Total Receipts Over Disbursements	31,272	18,820	50,092
Fund Cash Balances, January 1	210,883	117,106	327,989
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$242,155	\$135,926	\$378,081
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31			

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

**WAKEMAN TOWNSHIP FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Wakeman Township Fire District, Huron County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed four-member Board of Trustees who are appointed by the legislative authority of the political subdivision that they represent. Those subdivisions are Wakeman Township and the Village of Wakeman. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following significant Capital Project Fund:

Capital Equipment Fund - This fund receives tax money to be used for the purchase and maintenance of fire fighting equipment.

**WAKEMAN TOWNSHIP FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$26,776	\$10,963
Savings Account	<u>380,310</u>	<u>367,118</u>
Total deposits and investments	<u><u>\$407,086</u></u>	<u><u>\$378,081</u></u>

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

**WAKEMAN TOWNSHIP FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,290	\$88,415	\$5,875
Capital Projects		40,729	(40,729)
Total	\$94,290	\$129,144	(\$34,854)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$431,500	\$71,082	\$360,418
Capital Projects	40,871	44,411	(3,540)
Total	\$472,371	\$115,493	\$356,878

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,020	\$89,411	(\$33,391)
Capital Projects	62,740	34,108	28,632
Total	\$118,760	\$123,519	(\$4,759)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,400	\$58,139	\$176,261
Capital Projects	212,349	15,288	197,061
Total	\$446,749	\$73,427	\$373,322

The District did properly certify the availability of funds as required by Ohio law. The District did not limit appropriations to available resources as required by Ohio law.

**WAKEMAN TOWNSHIP FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the District.

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

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

5. RETIREMENT SYSTEMS

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

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

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Inland marine



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

Wakeman Township Fire District
Huron County
PO Box 55
Wakeman, Ohio 44889-0055

To the Board of Trustees:

We have audited the accompanying financial statements of the Wakeman Township Fire District, Huron County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 16, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings as items 1999-40539-001 and 1999-40539-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-40539-003 and 1999-40539-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 16, 2000.

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

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

Jim Petro
Auditor of State

May 16, 2000

**WAKEMAN TOWNSHIP FIRE DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40539-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In fiscal year 1999, the total appropriations in the General Fund exceeded estimated resources by \$99,889. In fiscal year 1998, the total appropriations in the Capital Projects Fund exceeded estimated resources by \$32,503. The failure to limit appropriations to estimated resources may result in expenditures and encumbrances exceeding amounts available resulting in deficit fund balances. The Clerk-Treasurer should review the amended certificate to insure appropriations are not in excess of amounts available.

FINDING NUMBER 1999-40539-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. Also, no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such certificate is otherwise valid.
- b. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board.

It was noted in 98% of the transactions selected for examination that the certification had been completed after the expenditure had been incurred and the District did not complete then and now certificates. The failure to properly certify expenditures resulted in material unrecorded purchase commitments that required adjustment to the District's financial statements and may result in the District expending amounts in excess of available resources.

FINDING NUMBER 1999-40539-003

Reportable Condition

In an entity the size of the District adequate segregation of duties is not feasible. All accounting transactions are processed by the Clerk-Treasurer. It was noted that bank reconciliations are not periodically reviewed by a member of the Board of Trustees. The failure to periodically review the bank reconciliations could permit errors or irregularities to go undetected. The review of reconciliations by members of the Board of Trustees should include follow up on reconciling items, such as tracing outstanding checks per the prior months reconciliation to canceled checks for the current month. This review should be documented by the official initialing the reconciliation reviewed. Reviews should be performed at random times through out the year rather than dates set several months in advance.

FINDING NUMBER 1999-40539-004

Reportable Condition

It was noted that the Board of Trustees are not presented with a periodic financial package. The financial package should consist of a statement of revenues, disbursements, and changes in fund balance, and statement of budget verses actual information for all fund types. The failure to monitor financial activity could result in discrepancies in the posting of transactions occurring and going undetected. The failure to monitor budget verses actual results in operation prevents the Board from determining if planned financial targets are being achieved. The Clerk should present a financial package to the Board on a quarterly basis at a minimum.



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WAKEMAN TOWNSHIP FIRE DISTRICT

HURON 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
JUNE 22, 2000**