



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

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**STATE OF OHIO**



**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types – For the Year Ended December 31, 2001 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types – For the Year Ended December 31, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings .....	11
Schedule of Prior Year Findings.....	13

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## REPORT OF INDEPENDENT ACCOUNTANTS

Wakeman Township Fire District  
Huron County  
5171 State Route 303  
P.O. Box 55  
Wakeman, Ohio 44889-0055

To the Board of Trustees:

We have audited the accompanying financial statements of Wakeman Township Fire District (the District) as of and for the years ended December 31, 2001 and 2000. 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 audit.

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

As discussed in Note 1, the 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 of the District, as of December 31, 2001 and 2000, 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 June 12, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management 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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

June 12, 2002

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$53,415	\$42,285	\$95,700
Intergovernmental	6,468	5,082	11,550
Charges for Services	21,462		21,462
Earnings on Investments	3,281		3,281
Miscellaneous	311		311
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	84,937	47,367	132,304
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	46,384	1,024	47,408
Capital Outlay	219,276		219,276
	<hr/>	<hr/>	<hr/>
Total Disbursements	265,660	1,024	266,684
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(180,723)	46,343	(134,380)
Fund Cash Balances, January 1	237,412	37,119	274,531
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$56,689</u></b>	<b><u>\$83,462</u></b>	<b><u>\$140,151</u></b>

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

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$52,812	\$35,717	\$88,529
Intergovernmental	14,911	4,110	19,021
Charges for Services	5,634		5,634
Earnings on Investments	6,115		6,115
Miscellaneous	1,104		1,104
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	80,576	39,827	120,403
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	71,248	931	72,179
Capital Outlay	46,758	134,014	180,772
	<hr/>	<hr/>	<hr/>
Total Disbursements	118,006	134,945	252,951
	<hr/>	<hr/>	<hr/>
Total Disbursements Over Receipts	(37,430)	(95,118)	(132,548)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	274,842	132,237	407,079
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$237,412</u></b>	<b><u>\$37,119</u></b>	<b><u>\$274,531</u></b>

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



**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Wakeman Township Fire District (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. Two board members are appointed by each political subdivision within the District. 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. As of December 31, 2001, the District has no investments.

**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 Fund**

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 taxes to be used for the purchase and maintenance of fire fighting equipment.

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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 or 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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 pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$32,750	\$351
Savings account	<u>107,401</u>	<u>274,180</u>
Total deposits	<u>\$140,151</u>	<u>\$274,531</u>

Deposits are either 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 years ending December 31, 2001 and 2000 follows:

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,374	\$84,937	(\$42,437)
Capital Projects	93,695	47,367	(46,328)
Total	<u>\$221,069</u>	<u>\$132,304</u>	<u>(\$88,765)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$350,250	\$265,660	\$84,590
Capital Projects	27,601	1,024	26,577
Total	<u>\$377,851</u>	<u>\$266,684</u>	<u>\$111,167</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,691	\$80,576	(\$3,115)
Capital Projects	62,144	39,827	(22,317)
Total	<u>\$145,835</u>	<u>\$120,403</u>	<u>(\$25,432)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$514,654	\$118,006	\$396,648
Capital Projects	53,613	134,945	(81,332)
Total	<u>\$568,267</u>	<u>\$252,951</u>	<u>\$315,316</u>

Contrary to Ohio law, 2000 budgetary expenditures exceeded appropriation authority in the Capital Equipment fund by \$81,332. Also contrary to Ohio law, 2000 General fund appropriations exceeded available resources by \$156,121.

**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

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

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

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Property;
- Liability;
- Business auto; and
- Accident.

**7. COMPLIANCE**

The District's contracts did not include prevailing wage language for any projects contracted during the year 2000 as required by the Ohio Revised Code.



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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  
5171 State Route 303  
P.O. Box 55  
Wakeman, Ohio 44889-0055

To the Board of Trustees:

We have audited the accompanying financial statements of the Wakeman Township Fire District (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40539-001, 2001-40539-002, 2001-40539-003, and 2001-40539-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated June 12, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 2001-40539-005 and 2001-40539-006.

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 material weaknesses. However, we believe that 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 the management of the District in a separate letter dated June 12, 2002.

This report is intended solely 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 loop at the end of the name.

**Jim Petro**  
Auditor of State

June 12, 2002

**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

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

**FINDING NUMBER 2001-40539-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no orders or contracts involving the expenditure of money is to be made unless there 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, both at the time of the contract or order and at the time of the certificate, 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 other wise 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.

The District uses a Then and Now Certificate for its fiscal officer certification of disbursements. However, for disbursements over \$1,000, the board does not authorize the payment of such contract or order by resolution or ordinance. The failure to properly certify expenditures could allow expenditures to exceed appropriations and possibly available resources.

**FINDING NUMBER 2001-40539-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In fiscal year 2000, the expenditures from the Capital Projects fund exceeded appropriations by \$81,332. There were also four line-item accounts at the legal level of control which had expenditures exceeding appropriations during the year. The failure to limit expenditures to appropriated amounts may result in the District expending funds in excess of available resources. The Clerk/Treasurer should periodically compare expenditures and encumbrances to appropriations to determine if a modification to the appropriations is required. We also reported this matter as a management letter comment in our audit of the 1998 and 1999 financial statements.

**FINDING NUMBER 2001-40539-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 states that total appropriations 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 2000, the total appropriations in the General fund exceeded estimated resources by \$156,121. The failure to limit appropriations to estimated resources may result in expenditures and encumbrances exceeding available resources 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 2001-40539-004**

**Noncompliance Citation**

Ohio Revised Code §§ 4115.04 and 4115.05 require an entity to make sure the contractor awarded the contract agrees, in the contract, to pay the prevailing wage. Contracts signed for work to be performed on the new fire station did not include prevailing wage language. Failure to include prevailing wage language in the contract could result in litigation by individuals working on the contracts but being paid at an amount below prevailing wage.

**FINDING NUMBER 2001-40539-005**

**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. 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 should include follow up on reconciling items, such as tracing outstanding checks per the prior month's reconciliation to canceled checks for the current month. This review should be documented by the official initialing the reconciliation reviewed and indicating the Board's acceptance of the reconciliation in the minutes. Reviews should be performed at random times through out the year rather than dates set several months in advance.

**FINDING NUMBER 2001-40539-006**

**Reportable Condition**

The Board of Trustees is 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 errors or irregularities going undetected. The failure to monitor budget verses actual results in operations prevents the Board from determining if planned financial targets are being achieved. The Clerk/Treasurer should present a financial package to the Board on a quarterly basis at a minimum and the Board should formally approve the financial package with a notation of their acceptance in the minutes.



**WAKEMAN TOWNSHIP FIRE DISTRICT  
HURON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-40539-001	Revised Code § 5705.39, appropriations exceeding estimated revenue.	No	Not corrected. Reissued as finding 2001-40539-003.
1999-40539-002	Revised Code § 5705.41 (D), failure to certify funds.	No	Not corrected Reissued as finding 2001-40539-001.
1999-40539-003	Lack of review of bank reconciliations by members of the board.	No	Not corrected. Reissued as finding 2001-40539-005.
1999-40539-004	Lack of a periodic financial package for review by the board.	No	Not corrected. Reissued as finding 2001-40539-006.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
JULY 16, 2002**