



Dave Yost • Auditor of State

**WAKEMAN TOWNSHIP
HURON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	5
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund - For the Year Ended December 31, 2016	6
Notes to the Financial Statements - For the Year Ended December 31, 2016	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	14
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund - For the Year Ended December 31, 2015	15
Notes to the Financial Statements - For the Year Ended December 31, 2015	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	27

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wakeman Township
Huron County
4913 County Line Road 2
Wakeman, Ohio 44889-9010

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 Wakeman Township, Huron County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 2 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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Wakeman Township, Huron County, Ohio as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discussed in Note 3 to the 2015 financial statements, the Township restated its beginning fund balances for the year ended December 31, 2015 to account for prior audit period disbursements made from the proceeds from the sale of a capital asset that were originally recorded in the General Fund and adjusted to a capital projects fund during the prior audit. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 28, 2017

This page intentionally left blank.

Wakeman Township
Huron County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$38,428	\$151,974			\$190,402
Charges for Services		8,381			8,381
Licenses, Permits, and Fees	5,300				5,300
Fines and Forfeitures		110			110
Intergovernmental	22,236	112,152			134,388
Earnings on Investments	1				1
Miscellaneous		3,563			3,563
<i>Total Cash Receipts</i>	<u>65,965</u>	<u>276,180</u>			<u>342,145</u>
Cash Disbursements					
Current:					
General Government	63,358	3,417			66,775
Public Works	7,592	177,605			185,197
Health	13,232	1,228			14,460
Conservation-Recreation		4,407			4,407
Capital Outlay	1,118	10,987			12,105
Debt Service:					
Principal Retirement	7,284	14,568	\$183,625		205,477
Interest and Fiscal Charges	2,692	5,385	666		8,743
<i>Total Cash Disbursements</i>	<u>95,276</u>	<u>217,597</u>	<u>184,291</u>		<u>497,164</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(29,311)</u>	<u>58,583</u>	<u>(184,291)</u>		<u>(155,019)</u>
Other Financing Receipts					
Sale of Notes			184,291		184,291
Other Financing Sources	3,773				3,773
<i>Total Other Financing Receipts</i>	<u>3,773</u>		<u>\$184,291</u>		<u>188,064</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(25,538)</u>	<u>58,583</u>			<u>33,045</u>
<i>Fund Cash Balances, January 1</i>	<u>76,988</u>	<u>89,150</u>		<u>\$4,928</u>	<u>171,066</u>
Fund Cash Balances, December 31					
Restricted		88,371			88,371
Committed		59,362		4,928	64,290
Unassigned	51,450				51,450
<i>Fund Cash Balances, December 31</i>	<u>\$51,450</u>	<u>\$147,733</u>		<u>\$4,928</u>	<u>\$204,111</u>

See accompanying notes to the financial statements

Wakeman Township
Huron County
Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2016

	<u>Private Purpose Trust</u>
Operating Cash Disbursements	
Supplies and Materials	\$16
<i>Fund Cash Balance, January 1</i>	<u>1,609</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1,593</u></u>

See accompanying notes to the financial statements

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Wakeman Township, Huron County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, park operations, and cemetery maintenance.

Public Entity Risk Pool and Jointly Governed Organizations

The Township participates in one public entity risk pool and two jointly governed organizations. Notes 6 and 7, respectively, to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

Jointly Governed Organizations:

Vermilion River Ambulance District provides ambulance services.

Wakeman Township Fire District provides fire protection and rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the fiduciary fund which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Road and Bridge Fund This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Note Retirement Fund This fund accounts for and reports resources restricted for the refinancing of note debt previously issued to finance the construction of a new Township building and maintenance garage.

Capital Project Funds These funds account for and report financial resources that are restricted 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 Fund:

Miscellaneous Capital Projects Fund This fund received proceeds from the sale of a building owned by the Township.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of Artha Hintz for the placement of flowers on the graves of the deceased and her family members.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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.

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed The Board of 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.

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 the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

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,

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,474	\$69,738	\$4,264
Special Revenue	260,201	276,180	15,979
Debt Service		184,291	184,291
Trust	50		(50)
Total	\$325,725	\$530,209	\$204,484

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,293	\$95,276	\$9,017
Special Revenue	343,060	217,597	125,463
Debt Service		184,291	(184,291)
Capital Projects	4,928		4,928
Trust	30	16	14
Total	\$452,311	\$497,180	(\$44,869)

Note 4 – Deposits

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

	2016
Demand deposits	\$205,704

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

Note 5 – Property Taxes

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

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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

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

Note 6 - Risk Management

Risk Pool Membership

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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>2016 Contributions to OTARMA</u>
\$5,441

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.

Note 7 – Jointly Governed Organizations

Vermilion River Ambulance District

A four-member Board of Trustees governs Vermilion River Ambulance District (the "District"). Each political subdivision within the District appoints one member. Those subdivisions within the District are the Village of Wakeman, Florence Township, Townsend Township, and Wakeman Township. The District provides ambulance service within the District by contracting with Citizens Ambulance Service. Financial information can be obtained from Brad Mesenburg, Fiscal Officer, 2407 Wells Road, Collins, Ohio 44826.

Wakeman Township Fire District

Wakeman Township Fire District (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. Financial information can be obtained from Trisha L. Summers, Clerk, 5171 Sate Route 303, P.O. Box 55, Wakeman, Ohio 44889-0055.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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 postretirement healthcare and survivor and disability benefits.

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Capital Improvement Notes, Series 2016	\$175,045	3.38%

The Township issued general obligation capital improvement refunding notes to refinance the 2013 general obligation capital improvement notes related to the construction of a new Township building and maintenance garage. The Township's taxing authority collateralized the notes. The notes will be repaid in biennial installments including interest through July, 2026.

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

	General Obligation Capital Improvement Notes, Series 2016
Year ending December 31:	
2017	\$21,720
2018	21,720
2019	21,720
2020	21,720
2021	21,720
2022-2026	97,471
Total	\$206,071

Note 11 - Compliance

Contrary to Ohio law, expenditures exceeded appropriations in the General Note Retirement Fund.

Wakeman Township
Huron County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$36,583	\$79,334		\$115,917
Licenses, Permits, and Fees	9,893			9,893
Fines and Forfeitures		499		499
Intergovernmental	26,247	114,768		141,015
Earnings on Investments	17	3		20
Miscellaneous		9,950		9,950
<i>Total Cash Receipts</i>	<u>72,740</u>	<u>204,554</u>		<u>277,294</u>
Cash Disbursements				
Current:				
General Government	65,284	1,965		67,249
Public Works	6,360	157,158		163,518
Health	16,471	622		17,093
Human Services		1,383		1,383
Capital Outlay		11,360	\$2,080	13,440
Debt Service:				
Principal Retirement	6,052	12,104		18,156
Interest and Fiscal Charges	3,482	6,965		10,447
<i>Total Cash Disbursements</i>	<u>97,649</u>	<u>191,557</u>	<u>2,080</u>	<u>291,286</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,909)</u>	<u>12,997</u>	<u>(2,080)</u>	<u>(13,992)</u>
Other Financing Receipts				
Other Financing Sources	1,730	4,883		6,613
<i>Net Changes in Fund Cash Balances</i>	<u>(23,179)</u>	<u>17,880</u>	<u>(2,080)</u>	<u>(7,379)</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>100,167</u>	<u>71,270</u>	<u>7,008</u>	<u>178,445</u>
Fund Cash Balances, December 31				
Restricted		58,213		58,213
Committed		30,937	4,928	35,865
Assigned	38,819			38,819
Unassigned	38,169			38,169
<i>Fund Cash Balances, December 31</i>	<u>\$76,988</u>	<u>\$89,150</u>	<u>\$4,928</u>	<u>\$171,066</u>

See accompanying notes to the financial statements

Wakeman Township
Huron County
Statement of Receipts, Disbursements,
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2015

	Private Purpose Trust
Operating Cash Disbursements	
Supplies and Materials	\$24
<i>Fund Cash Balance, January 1</i>	<i>1,633</i>
<i>Fund Cash Balance, December 31</i>	<i>\$1,609</i>

See accompanying notes to the financial statements

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Wakeman Township, Huron County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, park operations, and cemetery maintenance.

Public Entity Risk Pool and Jointly Governed Organizations

The Township participates in one public entity risk pool and two jointly governed organizations. Notes 7 and 8, respectively, to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

Jointly Governed Organizations:

Vermilion River Ambulance District provides ambulance services.

Wakeman Township Fire District provides fire protection and rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the fiduciary fund which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 capital projects. The Township had the following significant Special Revenue Funds:

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Road and Bridge Fund This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Capital Project Funds These funds account for and reports financial resources that are restricted 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 Fund:

Miscellaneous Capital Projects Fund This fund received proceeds from the sale of a building owned by the Township.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of Artha Hintz for the placement of flowers on the graves of the deceased and her family members.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

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

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

A summary of 2015 budgetary activity appears in Note 4.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed The Board of 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.

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 the Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Accounting Change

During the prior audit period an audit adjustment was required in order to properly account for the

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

proceeds of the sale of a capital asset in the Capital Projects Fund Type. The Township subsequently determined that certain capital assets were recorded in the General Fund using the proceeds from this sale during 2014 and should have been recorded as disbursements in the Capital Projects Fund. This determination had the following effect on fund balances previously reported for the year ended December 31, 2014:

	General Fund	Capital Projects
Fund balance December 31, 2014	\$73,310	\$33,865
Expenditure adjustment	26,857	(26,857)
Restated fund balance December 31, 2014	<u>\$100,167</u>	<u>\$7,008</u>

Note 4 – Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,319	\$74,470	\$13,151
Special Revenue	185,338	209,437	24,099
Private Purpose Trust	50		(50)
Total	<u>\$246,707</u>	<u>\$283,907</u>	<u>\$37,200</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,228	\$97,649	\$15,579
Special Revenue	240,184	191,557	48,627
Capital Projects	33,865	2,080	31,785
Private Purpose Trust	50	24	26
Total	<u>\$387,327</u>	<u>\$291,310</u>	<u>\$96,017</u>

Note 5 – Deposits

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

	2015
Demand deposits	<u>\$172,675</u>

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

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 – Property Taxes

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.

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

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

Note 7 - Risk Management

Risk Pool Membership

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.

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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 \$3,000.

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

<u>2015 Contributions to OTARMA</u> \$5,273

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.

Note 8 – Jointly Governed Organizations

Vermilion River Ambulance District

A four-member Board of Trustees governs Vermilion River Ambulance District (the "District"). Each political subdivision within the District appoints one member. Those subdivisions within the District are the Village of Wakeman, Florence Township, Townsend Township, and Wakeman Township. The District provides ambulance service within the District by contracting with Citizens Ambulance Service. Financial information can be obtained from Brad Mesenburg, Fiscal Officer, 2407 Wells Road, Collins, Ohio 44826.

Wakeman Township Fire District

Wakeman Township Fire District (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

Wakeman Township
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2015

and rescue services within the District. Financial Information can be obtained from Trisha L. Summers, Clerk, 5171 Sate Route 303, P.O. Box 55, Wakeman, Ohio 44889-0055.

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

Note 10 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Capital Improvement Notes, Series 2013	\$196,231	5%

During a prior audit period, the Township issued general obligation capital improvement notes to finance the construction of a new Township building and maintenance garage. The Township’s taxing authority collateralized the notes. The notes will be repaid in monthly installments including interest through August 2018, at which time a final payment of \$145,482 including interest is due.

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

	General Obligation Capital Improvement Notes, Series 2013
Year ending December 31:	
2016	\$28,603
2017	28,603
2018	162,167
Total	\$219,373



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*

Wakeman Township
Huron County
4913 County Line Road 2
Wakeman, Ohio 44889-9010

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 Wakeman Township, Huron County, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 28, 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. We also noted the Township restated its beginning fund balances to account for prior audit period disbursements made from the proceeds from the sale of a capital asset that was recorded in the incorrect fund.

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 2016-001 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 2016-002.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

December 28, 2017

**WAKEMAN TOWNSHIP
HURON COUNTY**

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

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

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and notes to the financial statements is complete and accurate.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- General Fund principal retirement and interest and fiscal charges disbursements in the amount of \$7,284 and \$2,692, respectively, were incorrectly classified as capital outlay;
- Special Revenue Fund Type restricted fund balance in the amount of \$59,362 was reclassified to committed in accordance with the provisions of GASB Statement No. 54;
- Special Revenue Fund Type principal retirement and interest and fiscal charges disbursements in the amount of \$14,568 and \$5,385, respectively, were incorrectly classified as public works;
- Debt Service Fund Type proceeds from the sale of notes receipts, principal retirement disbursements, and interest and fiscal charges disbursements were increased in the amounts of \$184,291, \$183,625, and \$666 to properly record the refinancing of the 2013 notes; and
- Capital Projects committed fund balance in the amount of \$4,928 was reclassified to restricted in accordance with the provisions of GASB Statement No. 54.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- General Fund principal retirement and interest and fiscal charges disbursements in the amount of \$6,052 and \$3,482, respectively, were incorrectly classified as capital outlay;
- General Fund other financing sources and Capital Projects Fund Type capital outlay disbursements were each decreased in the amount of \$26,857 and opening fund balances were adjusted as described in Note 3 to the 2015 financial statements in order to properly account for prior audit period expenditures made from the proceeds from the sale of a capital assets that were incorrectly recorded in the General Fund;
- Special Revenue Fund Type restricted fund balance in the amount of \$30,937 was reclassified to committed in accordance with the provisions of GASB Statement No. 54;
- Special Revenue Fund Type principal retirement and interest and fiscal charges disbursements in the amount of \$12,104 and \$6,965, respectively, were incorrectly classified as public works; and
- Capital Projects committed fund balance in the amount of \$4,928 was reclassified to restricted in accordance with the provisions of GASB Statement No. 54.

**FINDING NUMBER 2016-001
(Continued)**

The accompanying financial statements have been adjusted to reflect these changes. These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer, to identify and correct errors and omissions. The Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/FINALTownshipHandbook%203-22-17.pdf>.

The Fiscal Officer can also refer to Auditor of State Bulletin 2011-004 at the following web site address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

The Fiscal Officer is working to correct the errors and the items will be correct in 2017.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been lawfully appropriated.

Expenditures (\$184,291) exceeded appropriations (\$0) in the General Note Retirement Fund by \$184,291 at December 31, 2016.

This instance of non-compliance occurred because the Fiscal Officer did not budget for and record the note refinancing transaction. The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending. The Fiscal Officer should request approval from the Board of Trustees for a supplemental appropriation modification when a debt issue will be refinanced.

Officials' Response:

The Township did not establish a Note Retirement Fund, so there were no appropriations in that fund.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 5705.10(F) for the failure to record proceeds from the sale of capital assets in the correct fund.	Fully corrected	N/A
2014-002	Ohio Rev. Code § 5705.10(I) for the failure to use moneys in fund for purposes for which that fund was established.	Fully corrected	N/A
2014-003	Material Weakness for errors in financial reporting.	Not corrected and reissued as Finding 2016-001 in this report.	Matters reported in Finding 2014-001 were not corrected during the current audit period due to deficiencies in the Township's internal control over financial reporting. Also see Officials' Response to Finding 2016-001.

This page intentionally left blank.



Dave Yost • Auditor of State

WAKEMAN TOWNSHIP

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
JANUARY 18, 2018