

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

Board of Trustees
Fort Morrow Consolidated Fire District
306 North Marion Street
Waldo, Ohio 43356

We have reviewed the *Independent Auditors' Report* of the Fort Morrow Consolidated Fire District, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fort Morrow Consolidated Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 14, 2014

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INDEPENDENT AUDITORS' REPORT

Fort Morrow Consolidated Fire District
Marion County
306 North Marion Street
Waldo, Ohio 43356

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Fort Morrow Consolidated Fire District, Marion County, (the District) as of and for the years ended December 31, 2013 and 2012.

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 District'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 District'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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Fort Morrow Consolidated Fire District, Marion County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, 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 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 District's internal control over financial reporting and compliance.


Certified Public Accountants

Marion, Ohio
September 22, 2014

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013
	<u>General Fund</u>
CASH RECEIPTS:-	
Property and other local taxes	\$ 352,693
Charges for services	44,858
Intergovernmental	5,465
Earnings on investments	128
Miscellaneous	<u>18,184</u>
Total cash receipts	421,328
CASH DISBURSEMENTS:-	
Current:-	
General government	115,531
Public safety	111,301
Capital outlay	4,910
Debt Service:-	
Redemption of principal	214,726
Interest and other fiscal charges	<u>89,870</u>
Total cash disbursements	<u>536,338</u>
Excess of receipts (under) cash disbursements	(115,010)
Fund cash balances, January 1, 2013	<u>434,178</u>
Fund cash balances, December 31, 2013	
Unassigned	<u>319,168</u>
Fund cash balances, December 31, 2013	<u><u>\$ 319,168</u></u>

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

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
	<u>General Fund</u>
CASH RECEIPTS:-	
Property and other local taxes	\$ 348,705
Charges for services	44,445
Intergovernmental	2,777
Earnings on investments	228
Miscellaneous	<u>4,639</u>
Total cash receipts	400,794
CASH DISBURSEMENTS:-	
Current:-	
General government	71,609
Public safety	144,745
Capital outlay	319,394
Debt Service:-	
Redemption of principal	218,099
Interest and other fiscal charges	<u>92,148</u>
Total cash disbursements	<u>845,995</u>
Excess of receipts over (under) cash disbursements	(445,201)
Other financing sources	
Sale of notes	<u>313,928</u>
Total other financing sources	<u>313,928</u>
Net Change in fund balance	(131,273)
Fund cash balances, January 1, 2012 (restated)	<u>565,451</u>
Fund cash balances, December 31, 2012	
Unassigned	<u>434,178</u>
Fund cash balances, December 31, 2012	<u><u>\$ 434,178</u></u>

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

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Fort Morrow Consolidated Fire District, Marion 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. One board member is appointed by each political subdivision within the District. Those subdivisions are Marlboro Township, Richland Township, Waldo Township and the Village of Waldo. The District provides fire protection and rescue services within the District.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

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.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Budgetary Process - The Ohio Revised Code requires that the District budget each fund 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. The Marion County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and re-appropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Balance - For December 31, 2013 and 2012, the fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

Nonspendable

The District 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

Trustees can commit amounts via formal action (resolution). The District 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 District Trustees or a District 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 District 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.

Property, Plant and Equipment - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 - EQUITY IN POOLED CASH:-

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2013	2012
Deposits:-		
Demand Deposits	\$ <u>319,168</u>	\$ <u>434,178</u>
Total deposits	\$ <u><u>319,168</u></u>	\$ <u><u>434,178</u></u>

Deposits - The District's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2013 was as follows:-

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ <u>410,624</u>	\$ <u>421,328</u>	\$ <u>10,704</u>
Total	\$ <u><u>410,624</u></u>	\$ <u><u>421,328</u></u>	\$ <u><u>10,704</u></u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ <u>525,400</u>	\$ <u>536,338</u>	\$ (<u><u>10,938</u></u>)
Total	\$ <u><u>525,400</u></u>	\$ <u><u>536,338</u></u>	\$ (<u><u>10,938</u></u>)

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority by \$10,938.

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2012 was as follows:-

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ <u>380,500</u>	\$ <u>400,794</u>	\$ <u>20,294</u>
Total	\$ <u><u>380,500</u></u>	\$ <u><u>400,794</u></u>	\$ <u><u>20,294</u></u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ <u>589,000</u>	\$ <u>845,995</u>	\$ (<u><u>256,995</u></u>)
Total	\$ <u><u>589,000</u></u>	\$ <u><u>845,995</u></u>	\$ (<u><u>256,995</u></u>)

Appropriations were never submitted to or certified by the County Auditor in 2012. The amount above came from the District's UAN appropriated amount.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4 - FUND BALANCE RESTATEMENT:-

A restatement of beginning fund balances as of January 1, 2012 was required to properly account for checks that were voided that related to prior audit periods. During 2012, the District voided checks writing during 2009 through 2011 which restated their beginning fund balance at January 1, 2012.

		General Fund	
Original Fund Balance December 31, 2011	\$	563,627	
Voided Checks		1,824	
Restated Fund Balance at January 1, 2012	\$	565,451	

NOTE 5 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Delaware and Marion 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.

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

NOTE 6 - RETIREMENT SYSTEMS:-

The District's employees belong to the Ohio Public Employees Retirement System (OPERS) or social security. OPERS 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 2013 and 2012, OPERS members contributed 10% of their gross salaries. The District contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The District has paid all contributions required through December 31, 2013.

NOTE 7 - RISK MANAGEMENT:-

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

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

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 - RISK MANAGEMENT:- (continued)

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>	
Assets	\$ 13,100,381	\$ 13,774,304	
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>	
Members Equity	<u>\$ 6,413,188</u>	<u>\$ 5,805,909</u>	

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 8 - DEBT:-

In 2008, the District obtained acquisition bonds from Chase Bank for the construction of a new firehouse. The bond requires two payments annually due on April 1 and October 1 of each year. The District's first payment on this bond was on March 16, 2009 and the last payment is due on October 1, 2028.

In 2012, the District obtained a loan from Community 1st National Bank to purchase a pumper truck for the District. The loan requires two payments annually due on June 1 and December 1 of each year. The District's first payment on this loan was made on May 12, 2012 and the last payment is due on June 1, 2014.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 8 - DEBT:- (continued)

Debt outstanding at December 31, 2013, was as follows:

<u>Debt Issued</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Firehouse Bonds	5.42%	\$ 1,800,000	October 1, 2028
Pumper Truck Loan	9.20%	\$ 313,928	June 1, 2014

Transactions for the years ended December 31, 2013 and 2012 are summarized as follows:

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
Firehouse Bonds	\$ 1,530,000	\$ 0	\$ (90,000)	\$ 1,440,000	\$ 90,000
Pumper Truck Loan	<u>0</u>	<u>313,928</u>	<u>(128,099)</u>	<u>185,829</u>	<u>60,421</u>
Total	<u>\$ 1,530,000</u>	<u>\$ 313,928</u>	<u>\$ (218,099)</u>	<u>\$ 1,625,829</u>	<u>\$ 150,421</u>

	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
Firehouse Bonds	\$ 1,440,000	\$ 0	\$ (90,000)	\$ 1,350,000	\$ 90,000
Pumper Truck Loan	<u>185,829</u>	<u>0</u>	<u>(124,726)</u>	<u>61,103</u>	<u>61,103</u>
Total	<u>\$ 1,625,829</u>	<u>\$ 0</u>	<u>\$ (214,726)</u>	<u>\$ 1,411,103</u>	<u>\$ 151,103</u>

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

Year ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 151,103	\$ 72,745	\$ 223,848
2015	90,000	67,073	157,073
2016	90,000	62,195	152,195
2017	90,000	57,317	147,317
2018	90,000	52,438	142,438
2019 - 2023	450,000	189,023	639,023
2024 - 2028	<u>450,000</u>	<u>67,074</u>	<u>517,074</u>
Total	<u>\$ 1,411,103</u>	<u>\$ 567,865</u>	<u>\$ 1,978,968</u>

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 9 - LEASE AGREEMENT:-

During 2008, the Fort Morrow Fire District Board signed a ground lease agreement with the Waldo Township Trustees. In exchange for the payment of \$1, the Owner agreed to lease the ground where the new fire station was constructed for a period of 25 years, beginning on June 1, 2008, and continuing until the same date in 2033, unless terminated earlier for any reason set forth in the lease. The sole purpose of this lease is to permit the Fort Morrow Fire District to construct and operate a fire station and community center on the property. Upon termination of this lease, whether by expiration of its term, or by any other reason permitted by the agreement, all structures, buildings, and other improvements placed on the real estate shall become the sole property of Owner, without any obligation on the part of Owner to reimburse District for any portion of District's expense in the construction, repair, or maintenance of those structures, buildings, and other improvements. During the term of the lease, the District agrees to pay all operating costs and impositions relating to the leased real estate.

NOTE 10 - SUBSEQUENT EVENTS:-

The District evaluated subsequent events through September 22, 2014, the date which the financial statements were available to be issued.



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by Government Auditing Standards**

Fort Morrow Consolidated Fire District
Marion County
306 North Marion Street
Waldo, Ohio 43356

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 Fort Morrow Consolidated Fire District, Marion County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2014 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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 Government'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. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 22, 2014.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2013-003 through 2013-007.

We also noted certain matters that we reported to management of the District, in a separate letter dated September 22, 2014.

Entity's Response to Findings

The Government's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Government'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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Marion, Ohio
September 22, 2014

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-001
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Material Weakness - Internal Control and Review Procedures

Although the Board receives and reviews a select number of reports from the Fiscal Officer of the District for approval on a monthly basis, the District has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that the Board of Trustees are not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank reconciliations to ensure completion on a monthly basis or the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The District should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the trustees' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the trustees' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Board each month.

Officials' Response

The Fiscal Officer will begin to provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The District will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.

Finding Number	2013-002
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Material Weakness - EMS Billing Review Procedures

During the prior audit period, management chose to transition to a new EMS billing company. The EMS billing company now administers the billing, however during the first half of 2012, payments were received at the District level and reported to the third party billing company for them to properly adjust the individuals accounts. By the end of 2012, the payments were being received by the third party billing company and direct deposited into the Districts bank account by the billing company. With the change in this billing and collection procedure, we noted that no formal review process on a monthly basis is being completed at the District level of the outstanding amounts with the third party billing company, and collections and write offs that are occurring within their location and being reported to the third party billing company on a monthly basis.

We recommend that a more formal procedure be implemented moving forward to properly review, among other things, the EMS runs that are being sent to the third party billing company, review of the outstanding amounts at month end after all collections and write offs for that month are properly posted, and verification of all revenue being collected are being accounted for by the third party billing company for the account to be credited.

Officials' Response

The District is aware of the changes to the EMS billing and collections and have now changed the process to having the EMS billing company collect and deposit the monies into the District's account in a more timely basis.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-003
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Material Weakness- Noncompliance Citation - Payroll Files

Ohio Rev. Code Sections 145.01 and 145.48 describes definitions and rates of Ohio Public Employees Retirement Systems contributions. Also, Internal Revenue Code (IRC) Chapter 26, Collection of Income Tax at Source on Wages, states that the government is to withhold federal, state, and local income and employment-related taxes (such as Medicare). It also requires the government to report those tax matters to the appropriate tax authorities and to the recipients.

During our payroll testing, we noted that certain tax forms are not being properly completed. Inappropriate completion of these forms could result in improper amounts being withheld and paid by the employee and or the District. We also noted that not all tax forms were being timely submitted to the appropriate tax authorities as required and that thousands of dollars were paid in penalties and interest by the District for the untimely filings.

We recommend that these forms be reviewed more closely by the District officials to make sure the proper amounts are being reported, withheld and paid to the various entities such as the Internal Revenue Service, the Treasurer of State, and the Ohio Public Employees Retirement System and that the forms are being properly completed each year.

Officials' Response

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-004
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Noncompliance Citation - Prior Certification of Funds

Section 5705.41 (D), of the Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money unless a certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures under \$3,000, the Board of Commissioners obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures in 2012, we noted that the District did not maintain purchase orders to show that expenditures tested were obligated with prior certification. Not having certification could result in expenditures exceeding appropriations. We recommend that a purchase order be completed before all expenditures are initiated. Also, during our testing of 2013 and 2012 expenditures, we noted there were some purchase orders that were not certified by the Fiscal Officer and others that were not dated prior to the invoice date. For certification to be complete, the Fiscal Officer must sign the dated purchase order certifying that the stated amounts are in fact available for the expenditure.

We recommend purchase orders be complete for all expenditures prior to purchases being made and that Then and Now purchase orders be used when necessary.

Officials' Response

The District is aware of the above issue and will keep up with printing and signing the purchase orders through the Auditor of State Prescribed Uniform Accounting Network (UAN) software to help prevent this condition from occurring in the future.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-005
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Noncompliance Citation - Public Records Policy

Every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. The policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours.

By September 29, 2007, all public offices were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public. Any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value [Ohio Rev. Code §149.39] Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State's Office for final approval. A model policy is available at www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government.

During our compliance testing, it was noted that the District had not implemented a public records policy or a records retention policy. We recommend that the above steps be taken to adopt the necessary formal policies and that they be posted where the public can see them.

Officials' Response

The District is aware of the above issue and will work to establish a policy.

Finding Number	2013-006
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Noncompliance Citation - Amending or Supplementing Appropriations

Ohio Revised Code, Section 5705.40, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another.

During our compliance testing procedures, we noted that the District created and amended supplemental appropriations internally, but did not certify the original or amended appropriations with the county budget commission. We recommend that the District submit all temporary and permanent appropriations to the county for approval.

Officials' Response

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

**FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-007
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Noncompliance Citation – Voiding Stale Dated Checks

Ohio Revised Code, Section 9.39, states that all money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office.

During our testing procedures, we noted that the District voided checks during 2012 that were written between February 2009 and December 2011 and did not reissue them nor did the District place them in a trust fund until the five years had passed. We recommend that the District follow ORC 9.39 in the future when wanting to void stale dated checks.

Officials' Response

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

FORT MORROW CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness - Internal Control and Review Procedures	No	Reissued as finding 2013-001.
2011-002	Material Weakness - Bank Reconciliations	No	Significantly different corrective action taken.
2011-003	Material Weakness - Posting Errors and Timely Postings	No	Significantly different corrective action taken.
2011-004	Material Weakness - EMS Billing Review Procedures	No	Reissued as finding 2013-002.
2011-005	Noncompliance Citation- Prior Certification of Funds	No	Reissued as finding 2013-004.
2011-006	Noncompliance Citation- Filing of Financial Reports	Yes	Fully corrected.
2011-007	Noncompliance Citation- Public Records Policy	No	Reissued as finding 2013-005.
2011-008	Noncompliance Citation- Timely Deposit of Public Funds	Yes	Fully corrected.
2011-009	Noncompliance Citation- Bonding of Public Officials	Yes	Fully corrected.
2011-010	Noncompliance Citation- Amending or Supplementing Appropriations	No	Reissued as finding 2013-006.
2011-011	Noncompliance Citation- Payroll Files	No	Reissued as finding 2013-003.
2011-012	Noncompliance Citation- Amending Certificate of Estimated Resources	Yes	Fully corrected.

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Dave Yost • Auditor of State

FORT MORROW CONSOLIDATED FIRE DISTRICT

MARION 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
OCTOBER 21, 2014**