



Dave Yost • Auditor of State

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Portage Joint Fire District
Ottawa County
242 West Water Street, P.O. Box 240
Oak Harbor, Ohio 43449-0240

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of Portage Joint Fire District, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement 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 opinions.

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

As described in Note 1 of the financial statement, the District prepared this financial statement 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 statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement 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 statement referred to above does 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Portage Joint Fire District, Ottawa County, Ohio as of December 31, 2015 and 2014, and its 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 8, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 8, 2016

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Receipts:		
Property and Other Local Taxes	\$262,629	\$272,017
Charges for Services	2,500	3,100
Intergovernmental	40,185	40,111
Earnings on Investments	580	525
Miscellaneous	12,207	15,893
	318,101	331,646
<i>Total Cash Receipts</i>		
Cash Disbursements:		
Current Disbursements:		
Security of Persons and Property:		
Salaries	50,991	52,241
Fringe Benefits	25,677	28,265
Materials and Supplies	10,699	11,231
Equipment	31,030	35,758
Other	102,811	97,674
	221,208	225,169
<i>Total Cash Disbursements</i>		
<i>Net Change in Fund Cash Balance</i>	96,893	106,477
<i>Fund Cash Balance, January 1</i>	289,338	182,861
Fund Cash Balance, December 31		
Assigned	68,529	29,284
Unassigned	317,702	260,054
	386,231	289,338
<i>Fund Cash Balance, December 31</i>	\$386,231	\$289,338

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

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**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Portage Joint Fire District, Ottawa County, Ohio, (the District) as a body corporate and politic. The District is comprised of the Village of Oak Harbor (the Village) and Salem Township (the Township). A three-member Board of Trustees governs the District. The Village and the Township each appoint one member. The third member is a citizen of the District and is approved jointly by the Village and Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District 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).

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

C. Budgetary Process

The Ohio Revised Code requires the District's fund to be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Fund Balance

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:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The 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.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$285,307	\$188,867
Certificates of deposit	100,918	100,465
Other time deposits (savings accounts)	6	6
Total deposits	\$386,231	\$289,338

Demand deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The certificates of deposit and other time deposits are held with a credit union contrary to Ohio Law and therefore are not collateralized in accordance with applicable requirements.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$257,540	\$318,101	\$60,561
	\$257,540	\$318,101	\$60,561

2015 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$288,866	\$227,092	\$61,774
	\$288,866	\$227,092	\$61,774

2014 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$256,730	\$331,646	\$74,916
	\$256,730	\$331,646	\$74,916

2014 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$329,597	\$227,211	\$102,386
	\$329,597	\$227,211	\$102,386

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX – (Continued)

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

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

5. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

The District's Clerk-Treasurer belongs to the Ohio Public Employees Retirement System (OPERS). 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. For 2015 and 2014, the OPERS member contributed 10% of her gross salary and the District contributed an amount equaling 14% of the participant's gross salary. The District has paid all contributions required through December 31, 2015.

B. Social Security

All employees not otherwise covered by the Ohio Public Employees Retirement System contribute to Social Security. The District's liability is 6.2% of wages paid.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Commercial property;
- General and management liability;
- Portable equipment;
- Vehicles; and
- Umbrella.

7. MISCELLANEOUS RECEIPTS

In 2015, Miscellaneous Receipts consisted primarily of proceeds from an insurance claim. In 2014, Miscellaneous Receipts consisted primarily of Bureau of Workers Compensation refunds.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Portage Joint Fire District
Ottawa County
242 West Water Street, P.O. Box 240
Oak Harbor, Ohio 43449-0240

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 statement of the cash balance, receipts, and disbursements of Portage Joint Fire District, Ottawa County, Ohio, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement and have issued our report thereon dated September 8, 2016 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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the District'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 District's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 8, 2016

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Financial Reporting

We identified the following error requiring adjustment to the financial statement for the year ended December 31, 2015:

- Liability insurance and clerk bond expenses in the amount of \$29,437 were reclassified to Other from Fringe Benefits.

We identified the following error requiring adjustment to the financial statement for the year ended December 31, 2014:

- Liability insurance and clerk bond expenses in the amount of \$26,916 were reclassified to Other from Fringe Benefits.

These errors were not identified and corrected prior to the District preparing its financial statement due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statement, and where applicable, the District's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Clerk-Treasurer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statement and accompanying notes is complete and accurate.

To ensure the District's financial statement and notes to the statement are complete and accurate, the District should adopt policies and procedures, including a final review of the statement and notes by the Clerk-Treasurer, to identify and correct errors and omissions.

FINDING 2015-002

Noncompliance Citation

Ohio Rev. Code § 135.03 provides, in part, that the following institutions are eligible to be designated as public depositories:

- Any national bank;
- Any bank doing business under authority granted by the superintendent of financial institutions;
- Any bank doing business under authority granted by the regulatory authority of another state of the United States, located in this state;
- Any federal savings association;
- Any savings and loan association or savings bank doing business under authority granted by the superintendent of financial institutions; and
- Any savings and loan association or savings bank doing business under authority granted by the regulatory authority of another state of the United States, located in this state.

**FINDING 2015-002
(Continued)**

Ohio Rev. Code § 135.14(B)(3) further permits the investment or deposit of interim monies in eligible institutions applying for the deposit of interim monies as provided in **Ohio Rev. Code § 135.08** which subjects eligible institutions to the limitations imposed under **Ohio Rev. Code § 135.01 to 135.21**.

During 2015 and 2014 the District's certificate of deposit and time deposit were held in a credit union contrary to the above Ohio Rev. Code requirements. The District opened accounts with the credit union, as it was unaware that this section prohibits the designation of credit unions as public depositories.

The District's deposits may be at risk in the event of failure of the credit union since the collateralization of deposits is noncompliant with the provisions outlined in **Ohio Rev. § Code 135.18 to 135.181**.

The District's certificate of deposit and time deposit should only be held with public depositories meeting the requirements outlined above.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



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PORTAGE JOINT FIRE DISTRICT

OTTAWA 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
SEPTEMBER 27, 2016**