



Dave Yost • Auditor of State

LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) – Governmental Fund Type – For the Years Ended December 31, 2014 and 2013	3
Notes to the Financial Statement	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lowell-Adams Joint Fire District
Washington County
P.O. Box 406
Lowell, Ohio 45744

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the Lowell-Adams Joint Fire District, Washington County, Ohio (the District), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 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 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 statement, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 of 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, 2014 and 2013, 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 the Lowell-Adams Joint Fire District, Washington County, Ohio, as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, 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

November 12, 2015

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Cash Receipts		
Property and Other Local Taxes	\$26,854	\$25,621
Charges for Services	36,709	38,404
Licenses, Permits and Fees	0	650
Intergovernmental	42,721	157,502
Earnings on Investments	222	300
Miscellaneous	1,148	20
	<u>107,654</u>	<u>222,497</u>
<i>Total Cash Receipts</i>		
Cash Disbursements		
Current:		
General Government	72,141	20,855
Public Safety	0	11,118
Public Works	0	3,186
Other	0	3,040
Capital Outlay	30,573	155,303
	<u>102,714</u>	<u>193,502</u>
<i>Total Cash Disbursements</i>		
<i>Net Change in Fund Cash Balance</i>	4,940	28,995
<i>Fund Cash Balance, January 1</i>	<u>141,969</u>	<u>112,974</u>
Fund Cash Balance, December 31		
Unassigned (Deficit)	<u>146,909</u>	<u>141,969</u>
<i>Fund Cash Balance, December 31</i>	<u>\$146,909</u>	<u>\$141,969</u>

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

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**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013**

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 the Lowell-Adams Joint Fire District, Washington County (the District), as a body corporate and politic. A three member board governs the District. One member is appointed by each political subdivision within the District. Those subdivisions are Adams Township and the Village of Lowell, and one is chosen by these two representatives. 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 § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District invests in certificates of deposit.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

3. Encumbrances

The Ohio Revised Code requires the District 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 2014 and 2013 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is classified based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classification is as follows:

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.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$41,440	\$56,533
Certificates of deposit	105,469	85,436
Total deposits	<u>\$146,909</u>	<u>\$141,969</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Society.

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

Budgeted vs. Actual Receipts			
Year	Budgeted Receipts	Actual Receipts	Variance
2014	\$91,969	\$107,654	\$15,685
2013	209,845	222,497	12,652
Total	\$301,814	\$330,151	\$28,337

Budgeted vs. Actual Expenditures			
Year	Appropriation Authority	Budgetary Expenditures	Variance
2014	\$224,629	\$102,714	\$121,915
2013	233,481	193,502	39,979
Total	\$458,110	\$296,216	\$161,894

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 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 District.

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

5. Retirement System

The District's elected officials and 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. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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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

Lowell-Adams Joint Fire District
Washington County
P.O. Box 406
Lowell, Ohio 45744

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 Lowell-Adams Joint Fire District, Washington County, Ohio (the District), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement, and have issued our report thereon dated November 12, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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.

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 District'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 2014-001 and 2014-002 described in the accompanying Schedule of Findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The District's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District'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 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

November 12, 2015

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

Auditor of State Bulletin 2011-004 provides guidance for implementing Governmental Accounting Standard Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements, which is required for all local public offices for periods beginning after June 15, 2010. As stated in this Bulletin, GASB No. 54 also requires entity's to formally adopt a fund balance policy.

The District neither classified the fund balance during 2014 and 2013, nor did the District adopt the required policy. As a result, audit adjustments, with which the District's management agrees, were made to report the fund balances in accordance with GASB 54.

We recommend the District Board and Fiscal Officer review AOS Bulletin 2011-004 for proper reporting of cash fund balances and adopt the required policy to ensure correct and consistent fund balance reporting.

Official's Response: The Fiscal Officer will try to correct moving forward.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not enter budgeted receipts information into the receipts journal for 2013 and 2014.

Due to budgetary information not being entered into the accounting journal, the management of the District was not able to effectively monitor and report its budget versus actual status throughout the year.

The District should ensure budgetary amounts are accurately posted to their accounting system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: The Fiscal Officer will try to correct moving forward.

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LOWELL ADAMS JOINT FIRE DISTRICT

WASHINGTON 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
DECEMBER 1, 2015**