



Dave Yost • Auditor of State

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Joint Fire District
Lake County
840 River Street
Madison, Ohio 44057

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Joint Fire District, Lake County, (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 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 (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 District 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 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 statements referred to above present fairly, in all material respects, the combined cash balances of Madison Joint Fire District, Lake County, as of December 31, 2014 and 2013, 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 November 23, 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 23, 2015

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$1,996,421	\$0	\$0	\$0	\$1,996,421
Charges for Services	700	940,484			941,184
Licenses, Permits and Fees	177				177
Intergovernmental	217,681	4,750		40,000	262,431
Earnings on Investments	2,448	165		510	3,123
Miscellaneous	18,026	5,386			23,412
Total Cash Receipts	2,235,453	950,785	0	40,510	3,226,748
Cash Disbursements:					
Current Disbursements:					
General Government	232,778	18,236			251,014
Public Safety	2,023,442	594,134			2,617,576
Capital Outlay	130,825			165,167	295,992
Debt Service:					
Principal Retirement			185,000		185,000
Interest and Fiscal Charges			147,815		147,815
Total Cash Disbursements	2,387,045	612,370	332,815	165,167	3,497,397
Excess Receipts Over (Under) Disbursements	(151,592)	338,415	(332,815)	(124,657)	(270,649)
Other Financing Receipts (Disbursements):					
Transfers In			332,815		332,815
Transfers Out	(281,914)			(50,901)	(332,815)
Total Other Financing Receipts (Disbursements)	(281,914)	0	332,815	(50,901)	0
Net Change in Fund Cash Balance	(433,506)	338,415	0	(175,558)	(270,649)
Fund Cash Balances, January 1	622,518	510,249	0	175,558	1,308,325
Fund Cash Balances, December 31					
Restricted		848,664			848,664
Unassigned (Deficit)	189,012				189,012
Fund Cash Balances, December 31	\$189,012	\$848,664	\$0	\$0	\$1,037,676

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	\$0
Operating Cash Disbursements	
Other	900
<i>Total Operating Cash Disbursements</i>	900
<i>Operating Income (Loss)</i>	(900)
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts - Fire Escrow	21,360
Release of Escrow	(21,360)
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balances</i>	(900)
<i>Fund Cash Balances, January 1</i>	10,740
<i>Fund Cash Balances, December 31</i>	\$9,840

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$1,789,228	\$0	\$0	\$0	\$1,789,228
Charges for Services	380	947,864			948,244
Licenses, Permits and Fees	185				185
Intergovernmental	262,359				262,359
Earnings on Investments	3,841	373		1,863	6,077
Miscellaneous	50,331	16,385			66,716
Total Cash Receipts	2,106,324	964,622	0	1,863	3,072,809
Cash Disbursements:					
Current Disbursements:					
General Government	220,374	17,789			238,163
Public Safety	1,904,063	777,038			2,681,101
Capital Outlay	194,223			3,371,565	3,565,788
Debt Service:					
Principal Retirement			185,000		185,000
Interest and Fiscal Charges			143,335		143,335
Total Cash Disbursements	2,318,660	794,827	328,335	3,371,565	6,813,387
Excess Receipts Over (Under) Disbursements	(212,336)	169,795	(328,335)	(3,369,702)	(3,740,578)
Other Financing Receipts (Disbursements):					
Transfers In			328,335		328,335
Transfers Out	(328,335)				(328,335)
Total Other Financing Receipts (Disbursements)	(328,335)	0	328,335	0	0
Net Change in Fund Cash Balance	(540,671)	169,795	0	(3,369,702)	(3,740,578)
Fund Cash Balances, January 1 as Restated (Note 3)	1,163,189	340,454	0	3,545,260	5,048,903
Fund Cash Balances, December 31					
Restricted		510,249		175,558	685,807
Unassigned (Deficit)	622,518				622,518
Fund Cash Balances, December 31	\$622,518	\$510,249	\$0	\$175,558	\$1,308,325

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Miscellaneous	\$8,170
<i>Total Operating Cash Receipts</i>	8,170
Operating Cash Disbursements	
Other	3,214
<i>Total Operating Cash Disbursements</i>	3,214
<i>Operating Income (Loss)</i>	4,956
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts - Fire Escrow	5,784
<i>Total Non-Operating Receipts (Disbursements)</i>	5,784
 <i>Net Change in Fund Cash Balances</i>	 10,740
<i>Fund Cash Balances, January 1</i>	0
<i>Fund Cash Balances, December 31</i>	\$10,740

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Madison Joint Fire District, Lake County, (the District) as a body corporate and politic. A six-member Board of Trustees governs the District. Board members consist of the three trustees from Madison Township and three council members from the Village of Madison. The District provides fire protection and rescue services for the communities of Madison Township and the Village of Madison.

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

B. Accounting Basis

These financial statements follow 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 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).

These statements include 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. Deposits and Investments

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 values U.S. certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Funds:

General Bond Retirement Fund – This fund receives a portion of EMS Ambulance Billing fees to expend for principal and interest on the bonds issued to build the District's Station #3.

3. 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 District had the following significant Special Revenue Funds:

EMS Ambulance Billing Fund – This fund receives collections of fees associated with providing ambulance services.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project funds:

Miscellaneous Capital Projects Fund – This fund is used to account for the construction of Fire Station #3.

5. 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 District's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by the individual, organization or other government. The District's agency funds account for the Madison Firefighters' Association monies and Insurance Demolition monies.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. 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.

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 canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

F. 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.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

G. 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.

H. 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.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

2. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$519,004	\$251,828
Certificates of deposit	517,085	1,015,814
Total deposits	1,036,089	1,267,642
STAR Ohio	11,427	51,423
Total investments	11,427	51,423
Total deposits and investments	\$1,047,516	\$1,319,065

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Prior Period Restatements

The Fire District had prior period adjustments not accounted for at December 31, 2012.

	General Fund	Special Revenue	Debt Service	Capital Project
December 31, 2012 Fund Balance	\$268,307	\$190,815	\$149,639	\$4,438,524
EMS Fees returned to EMS Fund		149,639	(149,639)	
Checks returned and voided	1,618			
Unallowed Capital Project funds returned to General Fund	893,264			(893,264)
January 1, 2013 Fund Balance	\$1,163,189	\$340,454	\$0	\$3,545,260

4. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,220,000	\$2,235,453	\$15,453
Special Revenue	650,000	950,785	300,785
Debt Service	300,000	332,815	32,815
Capital Projects	50,000	40,510	(9,490)
Total	\$3,220,000	\$3,559,563	\$339,563

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

4. Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,738,815	\$2,668,959	\$69,856
Special Revenue	648,200	612,370	35,830
Debt Service	400,000	332,815	67,185
Capital Projects	310,000	216,068	93,932
Total	<u>\$4,097,015</u>	<u>\$3,830,212</u>	<u>\$266,803</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,238,904	\$2,106,324	(\$132,580)
Special Revenue	657,000	964,622	307,622
Debt Service	350,000	328,335	(21,665)
Capital Projects	3,000	1,863	(1,137)
Total	<u>\$3,248,904</u>	<u>\$3,401,144</u>	<u>\$152,240</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,793,135	\$2,646,995	\$146,140
Special Revenue	844,200	794,827	49,373
Debt Service	350,000	328,335	21,665
Capital Projects	3,564,000	3,371,565	192,435
Total	<u>\$7,551,335</u>	<u>\$7,141,722</u>	<u>\$409,613</u>

5. 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.

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$4,130,000	.5% - 5.125%
Total	\$4,130,000	

The District issued general obligation bonds to finance the construction of a new fire station. The District's taxing authority collateralized the bonds.

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

	General Obligation Bonds
Year ending December 31:	
2015	\$331,890
2016	335,965
2017	335,015
2018	338,875
2019	337,413
2020-2024	1,682,656
2025-2029	1,677,294
2030-2032	1,010,325
Total	\$6,049,433

7. Retirement Systems

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Through June 30, 2013, OP&F participants contributed 10% of their wages; from July 1, 2013 to June 30, 2014, OP&F participants contributed 10.75% of their wages; and from July 1 2014 to December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014 and 2013, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. 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.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

8. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

9. Subsequent Events

The District placed a 4.5 mill Fire levy on the November 3, 2015 Ballot for operating expenses and capital improvements. The levy was not approved by voters.



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

Madison Joint Fire District
Lake County
840 River Street
Madison, Ohio 44057

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 Madison Joint Fire District, Lake County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2015 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 statements, 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 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 2014-001 and 2014-002.

District'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.



Dave Yost
Auditor of State
Columbus, Ohio

November 23, 2015

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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

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

1. Posting Errors

Finding Number 2014-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 505.371(C)(3) provides charges collected under division (C) of this section shall be kept in a separate fund designated as the ambulance and emergency medical services fund and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services in the district.

Sound financial reporting is the responsibility of the Fiscal Officer and the Fire District Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The UAN Accounting Manual provides a structure in which to post receipts and expenditures. In addition, for receipts, there are various source documents, including The Lake County Auditor's Statements of Semiannual Apportionment of Taxes, the Ohio Rev. Code and Auditor of State Bulletins, which provide support to aid in the posting of various receipts.

Beginning in 2012 the District placed a portion of revenue from EMS fees in the debt service fund contrary to uses permitted by the Revised Code.

To correct the improper postings the following adjustments were needed to bring the District into compliance with the Ohio Revised Code § 505.371(C)(3) and to correct accounting records and financial statements of the District.

- In 2012 EMS receipts in the amount of \$149,639 were posted to the Debt Service fund instead of the district's Fire and Rescue Ambulance EMS Fund. This will be corrected by increasing the January 1, 2013 fund balance of the Fire and Rescue Ambulance EMS and reducing the Debt Service Fund.
- In 2013 EMS receipts in the amount of \$347,870 were posted to the Debt Service fund instead of the district's Fire and Rescue Ambulance EMS Fund.
- In 2014 EMS receipts in the amount of \$293,377 were posted to the Debt Service fund instead of the district's Fire and Rescue Ambulance EMS Fund.

Further, Ohio Rev. Code §5705.10(A) provides that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. We found general levy revenue had been posted in error to the Capital Project fund.

Finding Number 2014-001

Posting Errors - Noncompliance and Material Weakness (Continued)

- In 2013 and 2014 \$100,000 of general property tax receipts for each year was posted to the Capital Project fund without authorization. These funds should have been posted to the General Fund, and then transferred to the Capital Projects fund through a Board resolution.

In 2014 and 2013 the District's posting of revenue misclassified \$1,104 and \$2,878 respectively as a Special Item where they should have been classified as Miscellaneous Revenue in the General Fund. Additionally, in 2014 the District's posting of expenditures misclassified \$5,371 as General Government where they should have been classified as Capital Outlay in the Capital Projects Fund.

The Fiscal Officer has posted the corrections noted above to the accounting system and Financial Statements.

Failure to properly record receipts and expenditures could result in errors in the financial statements and inaccurate information being reported to the Board of Trustees and the residents of the Fire District.

We recommend the Fiscal Officer should use the Ohio Revised Code and or Legal Counsel and any applicable guidance from the Auditor of State's Office regarding the proper recording of transactions as source information regarding the proper recording of transactions. Additionally, the Board of Trustees should review the monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditure and transfers and the accuracy and completeness of the reports, and any discrepancies should be investigated and corrected timely manner.

Official's Response: The Madison Joint Fire District has directed the Fiscal Officer to make the corrections required in this finding.

2. Ohio Rev. Code § 5705.13(C) Capital Projects Fund.

Finding Number 2014-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.13 (C) provides a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

Finding Number 2014-002

Capital Projects Fund - Noncompliance and Material Weakness (Continued)

A taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

A taxing authority of a subdivision, by resolution or ordinance, may rescind a capital projects fund. If a capital projects fund is rescinded, money that has accumulated in the fund shall be transferred to the fund or funds from which the money originally was transferred.

The District did not pass a resolution for the funds assigned/transferred to the Miscellaneous Capital Projects and did not designate an asset for which the money was accumulated in accordance with the statute. Further, all monies were accumulated in one Capital Project fund also being used for the purpose of constructing a Fire Station and being paid for by bond proceeds.

The District Resolution 08-034 did not contain all the required elements needed to be in compliance with the Revised Code. Further, the Resolution authorized the Fiscal Officer to follow the provisions of the Ohio Revised Code; however, the Fiscal Officer did not establish separate Capital Project Funds as required by Ohio Rev. Code § 5705.13(C).

Therefore, the following adjustments were needed to correct the Capital Project and General Fund Balances on the District financial statements:

- In 2012 the Miscellaneous Capital Project fund contained co-mingled funds with the Fire Station Construction Bonds Proceeds for construction of a new Fire Station. Capital Project fund balances contained undesignated contributions from the General fund and other sources in the amount of \$893,264. This will be corrected by increasing the January 1, 2013 fund balance of the General Funds and decreasing the Capital Project fund.
- In 2013 a General Fund Transfer Out will be added to the financial statements in the amount of \$328,335 and as a Transfer In in the Debt Service Fund.
- In 2013 increase General Fund Capital Outlay Line item by \$191,398 and decrease Capital Outlay line item in the Capital Project fund.
- In 2013 increase General Fund property taxes by \$100,000 and decrease Capital Projects fund property taxes.
- In 2013 increase General Fund Interest earnings by \$1,438 and decrease Capital Projects fund interest earnings.
- In 2013 increase General Fund Miscellaneous revenue by \$572 and decrease Capital Projects fund Miscellaneous revenue.
- In 2014 increase General Fund property taxes by \$100,000 and decrease Capital Projects fund property taxes.

Finding Number 2014-002

Capital Projects Fund - Noncompliance and Material Weakness (Continued)

- In 2014 add to the financial statements a General Fund Transfer Out of \$281,914 and add Transfer In in the Debt Service Fund.
- In 2014 add to the financial statements a Capital Projects Fund Transfer Out of \$50,901 and add Transfer In in the Debt Service Fund.
- In 2014 increase General Fund Interest earnings by \$1,528 and decrease Capital Projects fund interest earnings.
- In 2014 increase General Fund Miscellaneous revenue by \$10,000 and decrease Capital Projects fund Miscellaneous revenue.
- In 2014 increase General Fund Capital Outlay Line item by \$121,825 and decrease Capital Outlay line item in the Capital Project fund.

The Fiscal Officer has posted the corrections noted above to the accounting system and Financial Statements.

Improperly establishing funds could lead to money being used for unintended purposes or denying money from funds needing money for other operations of the District. Further, funds not properly authorized by resolution may need to be returned to the fund of origin.

We recommend when the District intends to set aside money for “fixed assets” that the Board pass a resolution identifying the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

Official’s Response: The Madison Joint Fire District has directed the Fiscal Officer to make the corrections required in this finding.



Dave Yost • Auditor of State

MADISON JOINT FIRE DISTRICT

LAKE 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 15, 2015**