



Dave Yost • Auditor of State



ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2014 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) -- All Governmental Fund Types - For the Year Ended December 31, 2013 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13
Schedule of Prior Audit Findings .....	16

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Allen-Clay Joint Fire District  
Ottawa County  
3155 North Genoa Clay Center Road  
Genoa, Ohio 43430-9464

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Allen-Clay Joint Fire District, Ottawa 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 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 Allen-Clay Joint Fire District, Ottawa County, Ohio 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 January 14, 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

January 14, 2016

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$735,799		\$735,799
Charges for Services	35,027	\$245,781	280,808
Intergovernmental	123,079	3,001	126,080
Earnings on Investments	6,368		6,368
Miscellaneous	35,579		35,579
<i>Total Cash Receipts</i>	<u>935,852</u>	<u>248,782</u>	<u>1,184,634</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
General Government	361,888		
Public Safety	377,202	291,589	668,791
Capital Outlay	1,011,298		1,011,298
Debt Service:			
Principal Retirement	106,739		106,739
Interest and Fiscal Charges	30,665		30,665
<i>Total Cash Disbursements</i>	<u>1,887,792</u>	<u>291,589</u>	<u>1,817,493</u>
<i>Excess Disbursements Over Receipts</i>	<u>(951,940)</u>	<u>(42,807)</u>	<u>(994,747)</u>
<b>Other Financing Receipts:</b>			
Other Debt Proceeds	937,373		937,373
<i>Net Change in Fund Cash Balance</i>	(14,567)	(42,807)	(57,374)
<i>Fund Cash Balances, January 1</i>	<u>423,572</u>	<u>83,740</u>	<u>507,312</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		36,285	36,285
Committed		4,648	4,648
Assigned	390,638		390,638
Unassigned	18,367		18,367
<i>Fund Cash Balances, December 31</i>	<u><u>\$409,005</u></u>	<u><u>\$40,933</u></u>	<u><u>\$449,938</u></u>

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

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$694,752		\$694,752
Charges for Services	35,027	\$268,347	303,374
Intergovernmental	116,531		116,531
Earnings on Investments	8,465		8,465
Miscellaneous	33,374		33,374
<i>Total Cash Receipts</i>	<u>888,149</u>	<u>268,347</u>	<u>1,156,496</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
General Government	366,097		
Public Safety	382,305	288,609	670,914
Capital Outlay	327,927		
Debt Service:			
Principal Retirement	62,982		62,982
Interest and Fiscal Charges	18,678		
<i>Total Cash Disbursements</i>	<u>1,157,989</u>	<u>288,609</u>	<u>733,896</u>
<i>Excess Disbursements Over Receipts</i>	<u>(269,840)</u>	<u>(20,262)</u>	<u>(290,102)</u>
<b>Other Financing Receipts:</b>			
Loan Proceeds	200,000		200,000
Other Financing Sources	3,000		3,000
<i>Total Other Financing Receipts</i>	<u>203,000</u>		<u>203,000</u>
<i>Net Change in Fund Cash Balance</i>	(66,840)	(20,262)	(87,102)
<i>Fund Cash Balances, January 1</i>	<u>490,412</u>	<u>104,002</u>	<u>594,414</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		79,092	79,092
Committed		4,648	4,648
Assigned	423,572		423,572
<i>Fund Cash Balances, December 31</i>	<u>\$423,572</u>	<u>\$83,740</u>	<u>\$507,312</u>

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

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA 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 Allen-Clay Joint Fire District, Ottawa County, Ohio (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Each subdivision also appoints one alternative that is to serve in case the primary Board member cannot attend meetings. Those subdivisions are Clay Township, Allen Township, the Village of Genoa, and the Village of Clay Center. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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. 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.

**2. 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. The District had the following significant Special Revenue Fund:

EMS Fund – This fund is used to record the receipts and disbursements for the ambulance and paramedics for the District. Revenues are derived from billing for runs made.

ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 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 carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

E. 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.

ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 Board of 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.

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.

G. 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.

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	<u>\$449,938</u>	<u>\$507,312</u>

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

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

**3. 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	\$853,431	\$1,873,225	\$1,019,794
Special Revenue	187,799	248,782	60,983
Total	\$1,041,230	\$2,122,007	\$1,080,777

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,141,215	\$1,894,575	\$246,640
Special Revenue	320,749	299,629	21,120
Total	\$2,461,964	\$2,194,204	\$267,760

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$767,130	\$1,091,149	\$324,019
Special Revenue	239,600	268,347	28,747
Total	\$1,006,730	\$1,359,496	\$352,766

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,456,771	\$1,161,356	\$295,415
Special Revenue	328,299	289,808	38,491
Total	\$1,785,070	\$1,451,164	\$333,906

**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.

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

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Fire Truck Promissory Note	\$63,192	3.75%
Ambulance Promissory Note	145,535	2.15%
Building Promissory Note (85%)	792,677	Variable
Building Promissory Note (15%)	127,491	Variable
Total	\$1,128,895	

The District entered into a \$250,000 promissory note with First Federal Bank of the Midwest (First Federal) for the purchase of a fire truck. The note will be repaid in monthly installments of \$4,578, including interest, commencing March 2011 and ending February 2016.

The District entered into a promissory note with First Federal for the purchase of two 2013 Ford E-450 ambulances. The note will be repaid in monthly installments of \$3,522, including interest, commencing August 2013 and ending July 2018. This note was obtained contrary to the requirements of the Ohio Revised Code resulting in material noncompliance with Ohio law.

The District entered into a promissory note with First Federal in the amount of \$807,500 to finance construction of the new fire department building. The note will be repaid in monthly installments of \$4,476, including interest, commencing July 2014 through July 2019 at which time the payments will be calculated based on a variable rate. The District made principal and interest payments of \$14,823 and \$13,291, respectively during 2014. This note was obtained contrary to the requirements of the Ohio Revised Code resulting in material noncompliance with Ohio law.

The District entered into a promissory note with First Federal in the amount of \$129,873 to finance construction of the new fire department building. The note will be repaid in monthly installments of \$720, including interest, commencing July 2014 through July 2019 at which time the payments will be calculated based on a variable rate. The District made principal and interest payments of \$2,382 and \$1,519, respectively during 2014. This note was obtained contrary to the requirements of the Ohio Revised Code resulting in material noncompliance with Ohio law.

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

	Fire Truck Promissory Note	Ambulance Promissory Note
Year ending December 31:		
2015	\$54,939	\$42,264
2016	9,156	42,264
2017		42,264
2018		25,367
Total	\$64,095	\$152,159

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

**6. RETIREMENT SYSTEMS**

**A. Public Employees 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. OP&F participants contributed 10% of their wages from January 1, 2013 through June 30, 2013, 10.75% of their wages from July 1, 2013 through June 30, 2014, and 11.5% of their wages from July 1, 2014 through December 31, 2014. 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% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**B. Social Security**

Effective May 4, 1992, all volunteer Fire Fighters hired after this date contribute to Social Security. The District's liability is 6.2% of wages paid.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Crime Coverage;
- Portable Equipment Coverage; and
- Management Liability Coverage.

**8. COMPLIANCE**

Contrary to Ohio law, the Fiscal Officer posted property tax homestead and rollback, personal property tax elimination reimbursement, and workers compensation reimbursement receipts to the incorrect fund.



# 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

Allen-Clay Joint Fire District  
Ottawa County  
3155 North Genoa Clay Center Road  
Genoa, Ohio 43430-9464

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of Allen-Clay Joint Fire District, Ottawa County, Ohio (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 January 14, 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 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.

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 statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 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 2014-002 and 2014-003.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 14, 2016

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness - Financial Reporting**

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2014:

- General Fund other financing sources, capital outlay disbursements, and appropriations in the amount of \$937,373 were adjusted to reflect financing, disbursements, and budgetary impact of the fire department building construction project;
- General Fund intergovernmental receipts in the amount of \$57,389 were reclassified from Property and Other Local Taxes in order to properly account for homestead and rollback and personal property tax elimination reimbursements; and
- General Fund balance in the amount of \$390,638 was reclassified to assigned from unassigned in accordance with GASB 54.

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2013:

- General Fund other financing sources, capital outlay disbursements, and appropriations in the amount of \$200,000 were adjusted to reflect the financing, disbursement, and budgetary impact of the acquisition of two ambulances;
- General Fund intergovernmental receipts in the amount of \$57,049 were reclassified from Property and Other Local Taxes in order to properly account for homestead and rollback and personal property tax elimination reimbursements;
- General Fund charges for services in the amount of \$11,676 were reclassified from Property and Other Local Taxes in order to properly account for fire contract receipts; and
- General Fund balance in the amount of \$423,572 was reclassified to assigned from unassigned in accordance with GASB 54.

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

**FINDING NUMBER 2014-001  
(Continued)**

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

**Officials' Response:**

The Fiscal Officer will ensure proper classification and recording of transactions.

**FINDING NUMBER 2014-002**

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code § 5705.10(D)** provides, in part, that all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2014, the Fiscal Officer posted property tax homestead and rollback, personal property tax elimination reimbursement, and workers compensation reimbursement revenues to improper funds resulting in materially understating General Fund receipts and materially overstating Special Revenue Fund receipts.

The following table identifies the amounts recorded in error for the year ending December 31, 2014:

<b>Fund / Fund Type</b>	<b>Adjustment</b>
General Fund	\$ 73,301
Special Revenue:	
EMS Fund	(73,301)

The accompanying financial statements and District accounting records have been adjusted to reflect these changes.

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

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions, as well as recording correct budgetary information.

**Officials' Response:**

The Fiscal Officer will ensure proper classification and recording of revenues.

### FINDING NUMBER 2014-003

#### Noncompliance Citation

**Ohio Rev. Code Chapters 133 and 505** allow various methods for Joint Fire Districts to incur debt. These include:

- Ohio Revised Code §133.10 allows anticipation securities in anticipation of current property tax revenues,
- Ohio Revised Code §133.22 allows a subdivision to issue anticipatory securities,
- Ohio Revised Code §133.24 allows anticipation notes in anticipation of the collection of the proceeds of a voted tax levy, and
- Ohio Revised Code §505.401 allows the board of trustees of a fire district to issue bonds for the acquisition of fire-fighting equipment, buildings, and sites for the District or for the purpose of constructing or improving buildings to house fire-fighting equipment.

In 2013, the District signed a promissory note with a local bank to finance the purchase of two ambulances for \$200,000. In 2014, the District signed two promissory notes with a local bank to finance the construction of a new fire department building. These two promissory notes are for \$807,500 and \$129,873. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapters 133 or 505. Failure to comply with the Ohio Revised Code could result in the improper use of debt proceeds. It may also result in the District acquiring debt which it is unable to repay.

We recommend the District contact its legal counsel before incurring future debt.

#### Officials' Response:

It was the decision of this Board, and on the advice of the County Prosecutor, we applied for, and obtained a conventional loan through the bid process. It was also the decision of this Board that it was the most expeditious and cost effective use of Fire District taxpayers' monies.

**ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Material weakness for failing to record loan activity to the financial statements.	No	Not corrected. Repeated as Finding 2014-001 in this report.
2012-002	Ohio Rev. Code Chapters 133 and 505 for incurring illegal debt.	No	Not corrected. Repeated as Finding 2014-003 in this report.



# Dave Yost • Auditor of State

**ALLEN-CLAY 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  
FEBRUARY 16, 2016**