



Dave Yost • Auditor of State



ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	10
Notes to the Financial Statements - For the Year Ended December 31, 2015 .....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	22

**This page intentionally left blank.**



# 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, 2016 and 2015.

### ***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial 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.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Allen-Clay Joint Fire District, Ottawa County, Ohio as of December 31, 2016 and 2015, 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 February 22, 2018, 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

February 22, 2018

**Allen-Clay Joint Fire District**  
*Ottawa County*  
**Combined Statement of Receipts, Disbursements, and**  
**Changes In Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$723,683		\$723,683
Charges for Services	47,288	\$248,293	295,581
Intergovernmental	115,140	3,500	118,640
Earnings on Investments	6,086		6,086
Miscellaneous	7,415	561	7,976
<i>Total Cash Receipts</i>	<u>899,612</u>	<u>252,354</u>	<u>1,151,966</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
General Government	387,044		387,044
Public Safety	374,899	251,598	626,497
Capital Outlay	40,000		40,000
Debt Service:			
Principal Retirement	76,662		76,662
Interest and Fiscal Charges	28,079		28,079
<i>Total Cash Disbursements</i>	<u>906,684</u>	<u>251,598</u>	<u>1,158,282</u>
<i>Net Changes in Fund Cash Balances</i>	<u>(7,072)</u>	<u>756</u>	<u>(6,316)</u>
<i>Fund Cash Balances, January 1</i>	<u>467,449</u>	<u>98,055</u>	<u>565,504</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		94,163	94,163
Committed		4,648	4,648
Assigned	460,375		460,375
Unassigned	2		2
<i>Fund Cash Balances, December 31</i>	<u>\$460,377</u>	<u>\$98,811</u>	<u>\$559,188</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  
For the Year Ended December 31, 2016

---

**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 alternate that is to serve in the event 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**

The District's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

**C. Fund Accounting**

The District uses funds to segregate cash that is 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:



**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

---

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 transports made to a hospital.

**D. Budgetary Process**

The Ohio Revised Code requires 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 2016 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**

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

---

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.

**F. Capital Assets**

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 instances, such as upon leaving employment, employees are entitled to cash payments unused leave. The financial statements do not include a liability for unpaid leave.

**2. 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:

	2016
Demand deposits	\$ 3,058
Other time deposits (savings accounts)	556,130
Total deposits	<u>\$ 559,188</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  
 For the Year Ended December 31, 2016

**3. Budgetary Activity**

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 727,100	\$ 899,612	\$ 172,512
Special Revenue	241,100	252,354	11,254
Total	\$ 968,200	\$ 1,151,966	\$ 183,766

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,168,175	\$909,836	\$258,339
Special Revenue	340,500	253,105	87,395
Total	\$1,508,675	\$1,162,941	\$345,734

**4. Property Taxes**

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. Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ambulance Promissory Note	\$ 65,698	2.15%
Building Promissory Note (85%)	730,979	Variable
Building Promissory Note (15%)	117,567	Variable
Total	\$ 914,244	

During a prior audit period, the District entered into a \$250,000 promissory note with First Federal Bank of the Midwest ( First Federal) for the purchase of two 2013 Ford E-450 ambulances. The

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

---

note will be repaid in monthly installments of \$3,522, including interest, commencing in 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.

During a prior audit period, 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. This note was obtained contrary to the requirements of the Ohio Revised Code resulting in material noncompliance with Ohio law.

During a prior audit period, 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. 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 and estimated interest for the building promissory notes, is scheduled as follows:

Year ending December 31:	Ambulance Promissory Note	Building Promissory Note (85%)	Building Promissory Note (15%)
2017	\$ 42,471	\$ 53,697	\$ 8,646
2018	24,799	53,695	8,644
2019		53,697	8,648
2020		53,968	8,645
2021		53,696	8,645
2022-2026		268,485	43,211
2027-2031		268,422	43,228
2032-2034		130,169	20,824
Total	<u>\$ 67,270</u>	<u>\$ 935,829</u>	<u>\$ 150,491</u>

**6. Risk Management**

***Commercial Insurance***

The District has obtained commercial insurance from Volunteer Firefighter Insurance Services (VFIS) for the following risks:

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

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

---

**7. Defined Benefit Pension Systems**

**A. *Ohio Police and Fire Retirement System***

The District's certified full-time fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2016.

**B. *Ohio Public Employees Retirement System***

Other 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. 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, 2016.

**C. *Social Security***

Other District employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**8. Postemployment Benefits**

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent to fund these benefits.

**9. Subsequent Event**

The District obtained a \$195,000 loan to finance the purchase of a fire truck in September, 2017.

**Allen-Clay Joint Fire District**  
*Ottawa County*  
**Combined Statement of Receipts, Disbursements, and**  
**Changes In Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2015**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$720,980		\$720,980
Charges for Services	11,734	\$319,476	331,210
Intergovernmental	157,035	2,750	159,785
Earnings on Investments	6,184		6,184
Miscellaneous	92,690		92,690
<i>Total Cash Receipts</i>	<u>988,623</u>	<u>322,226</u>	<u>1,310,849</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
General Government	392,825		392,825
Public Safety	366,699	265,104	631,803
Capital Outlay	6,588		6,588
Debt Service:			
Principal Retirement	124,000		124,000
Interest and Fiscal Charges	43,647		43,647
<i>Total Cash Disbursements</i>	<u>933,759</u>	<u>265,104</u>	<u>1,198,863</u>
<i>Excess Receipts Over Disbursements</i>	<u>54,864</u>	<u>57,122</u>	<u>111,986</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	635		635
Other Financing Sources	2,945		2,945
<i>Total Other Financing Receipts</i>	<u>3,580</u>		<u>3,580</u>
<i>Net Changes in Fund Cash Balances</i>	58,444	57,122	115,566
<i>Fund Cash Balances, January 1</i>	<u>409,005</u>	<u>40,933</u>	<u>449,938</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		93,407	93,407
Committed		4,648	4,648
Assigned	441,075		441,075
Unassigned	26,374		26,374
<i>Fund Cash Balances, December 31</i>	<u>\$467,449</u>	<u>\$98,055</u>	<u>\$565,504</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  
For the Year Ended December 31, 2015

---

**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 alternate that is to serve in the event 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**

The District's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(D) permit.

**C. Fund Accounting**

The District uses funds to segregate cash that is 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:

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

---

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 transports made to a hospital.

**D. Budgetary Process**

The Ohio Revised Code requires 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 2015 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**



**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

---

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.

**F. Capital Assets**

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 instances, such as upon leaving employment, employees are entitled to cash payments unused leave. The financial statements do not include a liability for unpaid leave.

**2. 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:

	2015
Demand deposits	\$ 29,424
Other time deposits (savings accounts)	536,080
Total deposits	<u>\$ 565,504</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  
For the Year Ended December 31, 2015

**3. Budgetary Activity**

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 807,110	\$ 992,203	\$ 185,093
Special Revenue	257,650	322,226	64,576
Total	\$ 1,064,760	\$ 1,314,429	\$ 249,669

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,135,975	\$ 936,786	\$ 199,189
Special Revenue	317,550	266,668	50,882
Total	\$ 1,453,525	\$ 1,203,454	\$ 250,071

**4. Property Taxes**

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. Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance Promissory Note	\$ 106,049	2.15%
Building Promissory Note (85%)	762,259	Variable
Building Promissory Note (15%)	122,598	Variable
Total	\$ 990,906	

During a prior audit period, the District entered into a \$250,000 promissory note with First Federal Bank of the Midwest ( 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 in August

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

---

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.

During a prior audit period, 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. This note was obtained contrary to the requirements of the Ohio Revised Code resulting in material noncompliance with Ohio law.

During a prior audit period, 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. 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 and estimated interest for the building promissory notes, is scheduled as follows:

Year ending December 31:	Ambulance Promissory Note	Building Promissory Note (85%)	Building Promissory Note (15%)
2016	\$ 42,259	\$ 53,808	\$ 8,674
2017	42,471	53,697	8,646
2018	24,799	53,695	8,644
2019		53,697	8,648
2020		53,968	8,645
2021-2025		268,482	43,211
2026-2030		268,424	43,228
2031-2034		183,866	29,469
Total	<u>\$ 109,529</u>	<u>\$ 989,637</u>	<u>\$ 159,165</u>

**6. Risk Management**

***Commercial Insurance***

The District has obtained commercial insurance from Volunteer Firefighter Insurance Services (VFIS) for the following risks:

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

**Allen-Clay Joint Fire District**  
Ottawa County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

---

**7. Defined Benefit Pension Systems**

**A. *Ohio Police and Fire Retirement System***

The District's certified full-time fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.50% of their wages through June 30, 2015, while participants contributed 12.25% of their wages beginning July 1, 2015. For 2015 the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2015.

**B. *Ohio Public Employees Retirement System***

Other 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. 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, 2015.

**C. *Social Security***

Other District employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**8. Postemployment Benefits**

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent to fund these benefits.

**9. Miscellaneous Receipts**

During 2015, General Fund miscellaneous receipts consisted primarily of a donation from an estate.

**10. Subsequent Event**

The District obtained a \$195,000 loan to finance the purchase of a fire truck in September, 2017.



# 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, Erie County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 22, 2018 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 opinions 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 a material weakness and a significant deficiency.

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. We consider finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-002 described in the accompanying schedule of findings to be a significant deficiency.

### ***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-003.

### ***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 22, 2018

ALLEN-CLAY JOINT FIRE DISTRICT  
OTTAWA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

**Material Weakness - Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustment to the financial statements for the year ended December 31, 2016:

- General Fund intergovernmental receipts in the amount of \$109,968 were incorrectly classified as property and other local taxes;
- General Fund unassigned fund balance in the amount of \$467,375 was reclassified to assigned in accordance with the provisions of GASB Statement No. 54;
- Special Revenue Fund Type restricted fund balance in the amount of \$4,648 was reclassified to committed in accordance with the provisions of GASB Statement No. 54.

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

General Fund intergovernmental receipts in the amount of \$115,685 were incorrectly classified as property and other local taxes.

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 have been adjusted to reflect these changes. Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015.

To help 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. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on GASB Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

**Officials' Response:**

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

## FINDING NUMBER 2016-002

### Significant Deficiency – Bank Reconciliations

The Fiscal Officer performed bank to book reconciliations throughout the audit period. However, beginning with the September 30, 2015 bank reconciliation other adjusting factors and adjustments were noted on the monthly reconciliations.

Upon further investigation the following discrepancies were discovered with the bank reconciliations:

- There were other adjusting factors noted on thirteen monthly bank reconciliations. The other adjusting factors listed each month were determined to be an unsupported figure to allow the reconciliation to balance during thirteen months of the audit period. These amounts ranged from negative \$6,025 to a positive \$99 during the audit period.
- There were adjustments noted on six monthly bank reconciliations. The adjustments listed each month were determined to be an unsupported figure to allow the reconciliation to balance during six months of the audit period. These amounts ranged from negative \$5,113 to a positive \$3,197 during the audit period.
- The outstanding check listing report included as part of the monthly bank reconciliations includes several payroll direct deposits that should not be included due to errors in recording direct deposits. These payroll direct deposits totaled \$6,320 for direct deposits from 2014, 2015, and 2016.
- The outstanding check listing report included as part of the monthly bank reconciliation incorrectly includes a check in the amount of \$4,578 that cleared in September, 2015.
- The outstanding check listing report included as part of the monthly bank reconciliation incorrectly includes a voided check in the amount of \$3,197 that the Fiscal Officer accounted for as a fund balance adjustment.
- The outstanding check listing report included as part of the monthly bank reconciliation also incorrectly includes an ACH payment in the amount of \$2,584 that cleared twice in March, 2016.

These errors were not identified and corrected prior to the Fiscal Officer preparing the monthly reconciliations due to deficiencies in the Township's internal controls over bank reconciliations.

The lack of accurate bank reconciliations could allow for reconciling differences to occur and not be corrected in a timely manner. Also, the lack of accurate bank reconciliations increases the susceptibility that misappropriation of assets could occur and be concealed and/or go undetected.

We recommend the Fiscal Officer reconcile all bank accounts to the accounting system on a timely basis. As part of this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected in the District's accounting system following the completion of the reconciliation. Additionally, the bank reconciliations and underlying report should be reviewed by someone independent of the reconciliation process. This review should include agreement of items listed on the reconciliation to support on hand, such as tracing balances listed to the original bank statement(s) and tracing outstanding checks to subsequent redemption. This review should also include scrutiny of any other adjusting factors and/or adjustments listed.

### Officials' Response:

The Fiscal Officer contacted the Visiting Clerk to help resolve this issue.



### FINDING NUMBER 2016-003

#### Noncompliance Citation

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

- Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues,
- Ohio Rev. Code § 133.22 allows anticipatory securities,
- Ohio Rev. Code § 133.24 allows anticipation notes in anticipation of the collection of the proceeds of a voted tax levy, and
- Ohio Rev. 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 Rev. 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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material Weakness for errors in financial reporting.	Not corrected and reissued as Finding 2016-001 in this report.	This matter is being repeated due to deficiencies in the District's internal controls over financial statement monitoring. Also see Officials' Response in Finding 2016-001.
2014-002	Ohio Rev. Code § 5705.10(D) for posting revenues to improper funds.	Fully corrected.	N/A
2014-003	Ohio Rev. Code Chapters 133 and 505 for obtaining a type of unallowable debt.	Not corrected and reissued as Finding 2016-003 in this report.	Non-compliance will be repeated throughout the life of the loan(s). Also see Officials' Response to Finding 2016-003.



# 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  
MARCH 13, 2018