



Dave Yost • Auditor of State

CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clinton Highland Joint Fire District
Clinton County
P.O. Box 25
676 West Main Street
New Vienna, Ohio 45159

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 the Clinton Highland Joint Fire District, Clinton County, Ohio (the District) as of and for the year ended December 31, 2016.

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 2 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, 2016, and the respective changes in financial position thereof for the year 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 the Clinton Highland Joint Fire District, Clinton as of December 31, 2016, for the year 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 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 26, 2018

Clinton-Highland JFD
Clinton 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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$237,216	\$0	\$237,216
Charges for Services	1,793	84,983	86,776
Intergovernmental	54,966	0	54,966
Earnings on Investments	741	733	1,474
Miscellaneous	2,450	0	2,450
<i>Total Cash Receipts</i>	<u>297,166</u>	<u>85,716</u>	<u>382,882</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
General Government	97,016	0	97,016
Public Safety	112,132	79,586	191,718
Capital Outlay	11,363	0	11,363
<i>Total Cash Disbursements</i>	<u>220,511</u>	<u>79,586</u>	<u>300,097</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>76,655</u>	<u>6,130</u>	<u>82,785</u>
<i>Net Change in Fund Cash Balance</i>	76,655	6,130	82,785
<i>Fund Cash Balances, January 1</i>	<u>693,786</u>	<u>177,172</u>	<u>870,958</u>
Fund Cash Balances, December 31			
Restricted	0	183,302	183,302
Assigned	131,804	0	131,804
Unassigned (Deficit)	<u>638,637</u>	<u>0</u>	<u>638,637</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$770,441</u></u>	<u><u>\$183,302</u></u>	<u><u>\$953,743</u></u>

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

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**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clinton Highland Joint Fire District, Clinton County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna. 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Ambulance and Emergency Medical Service Fund – This fund receives receipts from the billing of emergency funds. The District only bills non-resident for emergency runs.

Basis of Accounting

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.

Budgetary Process

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

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. The District did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The District's funds are deposited in a checking account and CD's with a local commercial bank.

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.

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:

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

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.

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.

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.

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$286,828 for the year ended December 31, 2016. The Special Revenue fund budgetary expenditures exceeded appropriations by \$124,505 for the year ended December 31, 2016.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$297,166	\$297,166
Special Revenue		85,716	85,716
Total	\$0	\$382,882	\$382,882

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$286,828	(\$286,828)
Special Revenue		124,505	(124,505)
Total	\$0	\$411,333	(\$411,333)

Note 5 – 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:

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 5 – Deposits and Investments (Continued)

	<u>2016</u>
Demand deposits	\$842,443
Certificates of deposit	<u>\$111,300</u>
Total deposits	<u>953,743</u>

Deposits

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

Note 6 – Taxes

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.

Note 7 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2016.

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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*

Clinton Highland Joint Fire District
Clinton County
P.O. Box 25
676 West Main Street
New Vienna, Ohio 45169

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 the Clinton Highland Joint Fire District, Clinton County, (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated February 26, 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 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 finding 2016-001 and 2016-002 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, 2016-002 through 2016-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 26, 2018

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The District lacked controls to ensure that certain transactions were posted accurately. We identified the following conditions related to the District's accounting system, which have been posted to the financial statements:

2016					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Property Taxes	\$8,826	General Fund	Intergovernmental	\$8,826
CAT Tax, Homestead and Rollback was recorded as Property Taxes receipts and should have been recorded as Intergovernmental receipts.					
General Fund	Fund Balance-Unassigned	\$131,804	General Fund	Fund Balance - Assigned	\$131,804
Encumbrances at December 31, 2016 were incorrectly classified as unassigned fund balance. Also, unpaid withholdings were recorded as unassigned fund balance and should have been classified as assigned fund balance.					

These errors were caused by lack of timely monitoring of the posting of transactions and account classification. Failure to accurately post transactions and classify checking account balances could result in material errors in the District's financial statements and reduces the ability of Board to monitor financial activity and to make sound financial decisions.

The District has corrected the financial statements and accounting records, where appropriate, to address these posting errors.

We recommend that officials monitor the posting of transactions and classification in checking accounts.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2016-002

Material Weakness and Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code, Section 5705.39 requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The District did not file the 2016 Official Certificate of Estimated Resources or appropriation measure with the county auditor and therefore the appropriation measure was not in effect.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated.

Because the appropriation measure was not in effect, the following funds had expenditures and outstanding encumbrances that exceeded appropriations:

2016	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General Fund	\$0	\$286,828	(\$286,828)
AMB and Emergency Medical Service Fund	0	124,505	(124,505)

Failure to approve and file their estimated resources and appropriations did not allow District officials to monitor budgetary position and could result in overspending and negative fund balances. This resulted in negative variances as reported in the budgetary footnote.

We recommend the District file the appropriate budgetary documentation with the county auditor and Budget Commission as required by Ohio Law. We also recommend that the District monitor during the year actual receipts and expenditures against budgeted amounts.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2016-003

Noncompliance Citation

26 U.S.C. Sections 3401 through 3406 & Section 3102(a), require employers to withhold federal income taxes and employment related taxes (such as Medicare) from employees' earnings and to remit the withholdings to the U.S. Treasury in a timely manner.

During the current and prior audit periods the District withheld federal income taxes and related taxes from the employees' earnings, but failed to remit these withholdings to the IRS:

Year	Federal Withholding Amount District Failed to Remit Timely	Date Outstanding Amount was Paid to the IRS
2016	\$8,735	02/27/2017
2015	11,955	02/27/2017
2014	12,792	02/28/2017
2013	8,913	04/02/2017
2012	5,831	04/02/2017
2011	5,867	04/02/2017
2010	2,411	04/02/2017
2009	1,917	04/02/2017

Failure to promptly remit payments could result in unnecessary payments and penalties and interest.

Ohio Revised Code, Sections 5747.06(A) & 5747.07, provide, in part, that every employer, including the state and its political subdivisions, maintaining an office or transacting business within the state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax from employees' earnings and to remit the withholdings to the Ohio Department of Taxation in a timely manner.

During the current and prior audit periods the District withheld state income taxes and school district taxes from the employees' earnings, but failed to remit the withholdings to the State of Ohio.

Year	Ohio Withholding Amount District Failed to Remit Timely
2016	\$1,690
2015	2,134
2014	2,005
2013	1,510
2012	1,207
2011	1,158
2010	657
2009	692

Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

The District paid the outstanding amount for the period 2009-2015 to the State of Ohio on August 23, 2016, in the amounts of \$8,673.91 and \$689.

The District paid the outstanding 2016 amount to the State of Ohio on February 4, 2017, in the amount of \$1,690.

**FINDING NUMBER 2016-003
(Continued)**

Ohio Revised Code, Section 718.03(A)(2), provide, in addition to withholding the amounts required under division (A)(1) of this section, an employer, agent of an employer, or other payer may also deduct and withhold, on the request of an employee, taxes for the municipal corporation in which the employee is a resident.

During the current and prior audit periods the District withheld municipal income taxes from the employees' earnings, but failed to remit these withholdings to the City of Wilmington.

Year	City Withholding Amount District Failed to Remit Timely
2016	\$120
2015	110
2014	110
2013	105
2012	95
2011	95
2010	90
2009	84

Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

The District paid the outstanding amount for period 2009-2015 to the City of Wilmington on March 6 2017, in the amount of \$689.

The District paid the outstanding 2016 amount to the City of Wilmington on February 4, 2017, in the amount of \$120.

26 U.S.C. Section 1.6041-1 requires the reporting of income aggregating \$600 or more to contractors on a form 1099. The District did not properly issue form 1099s to all volunteer EMS/Firefighters for payments in excess of \$600.

We recommend that the District monitor payment deadlines and make payments to the Internal Revenue Service, Ohio Department of Taxation and the City of Wilmington by the due date. We also recommend that the District issue form 1099s as required by United States Code. The Auditor of State will refer this matter to the appropriate agencies.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2016-004

Noncompliance/Finding For Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. 3102 (a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

Sidney Clay was appointed fiscal officer for Clinton Highland Joint Fire District. As fiscal officer, Sidney Clay was the official responsible for withholding and remitting the required income tax contributions from Clinton Highland Joint Fire District employee earnings. During the 2009-2016 calendar years, Sidney Clay withheld, as required, federal income tax, Medicare, state income tax, local income tax, and school district income tax contributions from the earnings of each district employee. However, Sidney Clay failed to transmit any of those funds to the appropriate entity, agency, system or fund. As a result, Clinton Highland Joint Fire District incurred \$22,559 in penalties and interest charges from the federal government. At this time the total amount in penalties and interest paid to the federal government from Clinton Highland Joint Fire District is \$22,559. The interest and penalties assessed against the District serve no proper public purpose for the District and could have been avoided had the funds been remitted as required by law.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended for failure to remit withheld income tax contributions resulting in late fees, interest and penalties assessed against the District is hereby issued against Sidney Clay, former District Fiscal Officer, in the amount of \$22,559 and in favor of the District's General Fund.

Officials' Response:

We did not receive a response from officials to the finding above.

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CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Incorrect postings, misclassification, not properly encumbered resulting in adjustments and reclassifications.	Not Corrected	
2015-002	Noncompliance – Appropriations not filed with the County – expenditures exceeding appropriations		They were filed during 2017
2015-003	Noncompliance – Not remitting payroll withholding for federal, state, and local taxes since 2006.	Not complete	Completed in Oct 2017
2015-004	Noncompliance/finding for recovery repaid under audit. To pay the interest and penalties assessed for State.	Complete	I believe this was paid directly to the state during 2017.

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Dave Yost • Auditor of State

CLINTON HIGHLAND JOINT FIRE DISTRICT

CLINTON 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 22, 2018