



OHIO AUDITOR OF STATE
KEITH FABER



ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 13, 2019

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, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$727,108			\$727,108
Charges for Services	48,658	\$271,789		320,447
Intergovernmental	138,257			138,257
Earnings on Investments	4,919			4,919
Miscellaneous	26,547	2,878		29,425
<i>Total Cash Receipts</i>	<u>945,489</u>	<u>274,667</u>		<u>1,220,156</u>
Cash Disbursements				
Current Disbursements:				
General Government	405,124			405,124
Public Safety	370,860	246,289		617,149
Capital Outlay	69,445			69,445
Debt Service:				
Principal Retirement	97,522			97,522
Interest and Fiscal Charges	31,137			31,137
<i>Total Cash Disbursements</i>	<u>974,088</u>	<u>246,289</u>		<u>1,220,377</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(28,599)</u>	<u>28,378</u>		<u>(221)</u>
Other Financing Receipts				
Sale of Capital Assets			\$4,875	4,875
<i>Net Change in Fund Cash Balance</i>	(28,599)	28,378	4,875	4,654
<i>Fund Cash Balances, January 1</i>	<u>346,348</u>	<u>116,020</u>		<u>462,368</u>
Fund Cash Balances, December 31				
Restricted		139,750	4,875	144,625
Committed		4,648		4,648
Assigned	317,749			317,749
<i>Fund Cash Balances, December 31</i>	<u>\$317,749</u>	<u>\$144,398</u>	<u>\$4,875</u>	<u>\$467,022</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, 2018

Note 1 – Reporting 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 and 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.

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 capital projects. The District had the following significant Special Revenue Fund:

EMS Fund The EMS 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.

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

Building & Apparatus Capital Project Fund The building & apparatus capital project fund received proceeds from the sale of capital assets owned by the District.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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.

A summary of 2018 budgetary activity appears in Note 3.

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.

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.

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.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$795,075	\$945,489	\$150,414
Special Revenue	233,600	274,667	41,067
Capital Projects	4,875	4,875	
Total	\$1,033,550	\$1,225,031	\$191,481

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,134,675	\$977,241	\$157,434
Special Revenue	325,500	247,796	77,704
Total	\$1,460,175	\$1,225,037	\$235,138

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – 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:

	<u>2018</u>
Demand deposits	\$19,679
Other time deposits (savings accounts)	<u>447,343</u>
Total deposits	<u><u>\$467,022</u></u>

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

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- 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, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Police and Fire Retirement System

The District's full-time certified 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 percent of their wages. The District contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2018.

Ohio Public Employees Retirement System

Some District 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, 2018.

Social Security

Several 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, 2018.

Note 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Building Promissory Note (85%)	\$665,416	Variable
Building Promissory Note (15%)	107,024	Variable
Fire Truck Loan	145,404	2.60%
Total	\$917,844	

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 payments will be calculated based on a variable rate. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

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. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

During 2017 the District obtained an installment loan through Croghan Colonial Bank in the amount of \$194,879 to finance the purchase of a fire truck. The loan has a 2.60 percent interest rate and will be repaid in monthly installments of \$3,470, including interest, for a period of five years commencing in September 2018. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

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

Year Ending December 31:	Building Loan (85%)	Building Loan (15%)	Fire Truck Loan
2019	\$54,745	\$8,479	\$41,645
2020	55,781	8,972	41,646
2021	55,781	8,972	41,645
2022	55,781	8,972	27,764
2023	55,781	8,972	
2024-2028	278,906	44,858	
2029-2033	278,906	44,858	
2034	27,892	4,486	
Total	\$863,573	\$138,569	\$152,700

Note 10 – Compliance

Contrary to Ohio law, the Fiscal Officer recorded proceeds from the sale of capital assets in the incorrect fund.

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, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$712,292			\$712,292
Charges for Services	47,938	\$274,497		322,435
Intergovernmental	110,560	2,750		113,310
Earnings on Investments	5,256			5,256
Miscellaneous	30,961			30,961
<i>Total Cash Receipts</i>	<u>907,007</u>	<u>277,247</u>		<u>1,184,254</u>
Cash Disbursements				
Current Disbursements:				
General Government	389,603			389,603
Public Safety	399,785	260,038		659,823
Capital Outlay	118,155		\$194,879	313,034
Debt Service:				
Principal Retirement	88,831			88,831
Interest and Fiscal Charges	27,278			27,278
<i>Total Cash Disbursements</i>	<u>1,023,652</u>	<u>260,038</u>	<u>194,879</u>	<u>1,478,569</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(116,645)</u>	<u>17,209</u>	<u>(194,879)</u>	<u>(294,315)</u>
Other Financing Receipts				
Sale of Capital Assets	947			947
Other Debt Proceeds			194,879	194,879
Other Financing Sources	1,669			1,669
<i>Total Other Financing Receipts</i>	<u>2,616</u>		<u>\$194,879</u>	<u>197,495</u>
<i>Net Change in Fund Cash Balance</i>	(114,029)	17,209		(96,820)
<i>Fund Cash Balances, January 1</i>	<u>460,377</u>	<u>98,811</u>		<u>559,188</u>
Fund Cash Balances, December 31				
Restricted		111,372		111,372
Committed		4,648		4,648
Assigned	339,600			339,600
Unassigned	6,748			6,748
<i>Fund Cash Balances, December 31</i>	<u>\$346,348</u>	<u>\$116,020</u>		<u>\$462,368</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, 2017

Note 1 – Reporting 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 and 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.

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 capital projects. The District had the following significant Special Revenue Fund:

EMS Fund The EMS 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.

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

Fire Truck Loan Fund The fire truck loan fund is used to account for loan proceeds and corresponding capital outlay disbursements associated with a fire truck purchase.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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.

A summary of 2017 budgetary activity appears in Note 3.

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.

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.

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.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$747,100	\$909,623	\$162,523
Special Revenue	231,000	277,247	46,247
Capital Projects		194,879	194,879
Total	\$978,100	\$1,381,749	\$403,649

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,210,502	\$1,026,678	\$183,824
Special Revenue	323,000	261,603	61,397
Capital Projects	194,879	194,879	
Total	\$1,728,381	\$1,483,160	\$245,221

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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:

	<u>2017</u>
Demand deposits	\$18,693
Other time deposits (savings accounts)	<u>443,675</u>
Total deposits	<u><u>\$462,368</u></u>

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

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- 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, 2017

Note 7 – Defined Benefit Pension Plans

Ohio Police and Fire Retirement System

The District's full-time certified 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 percent of their wages. The District contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2017.

Ohio Public Employees Retirement System

Some 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, 2017.

Social Security

Several 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, 2017.

Note 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.

Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance Promissory Note	\$21,665	2.15%
Building Promissory Note (85%)	698,688	Variable
Building Promissory Note (15%)	112,374	Variable
Fire Truck Loan	182,674	2.60%
Total	<u>\$1,015,401</u>	

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 2013, and ending July 2018. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

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 payments will be calculated based on a variable rate. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

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. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

During 2017 the District obtained an installment loan through Croghan Colonial Bank in the amount of \$194,879 to finance the purchase of a fire truck. The loan has a 2.60 percent interest rate and will be repaid in monthly installments of \$3,470, including interest, for a period of five years commencing in September 2018. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

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Allen-Clay Joint Fire District
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Year Ending December 31:	Ambulance Promissory Note	Building Loan (85%)	Building Loan (15%)	Fire Truck Loan
2018	\$24,637	\$53,708	\$8,674	\$41,645
2019		54,745	8,479	41,645
2020		55,781	8,972	41,646
2021		55,781	8,972	41,645
2022		55,781	8,972	27,764
2023-2027		278,906	44,858	
2028-2032		278,906	44,858	
2033-2034		83,674	13,458	
Total	<u>\$24,637</u>	<u>\$917,282</u>	<u>\$147,243</u>	<u>\$194,345</u>

Note 10 – Compliance

Contrary to Ohio law, the Fiscal Officer posted debt proceeds to the incorrect fund.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 13, 2019 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.

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 2018-001, 2018-003, and 2018-004 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 2018-002 through 2018-005.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 13, 2019

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

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.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- General Fund intergovernmental receipts in the amount of \$110,446 were incorrectly classified as property and other local taxes; and
- General Fund and Special Revenue Fund Type budgeted receipts were decreased in the amounts of \$339,600 and \$91,900, respectively, in order to bring amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts.

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund intergovernmental receipts in the amount of \$110,560 were incorrectly classified as property and other local taxes; and
- General Fund and Special Revenue Fund Type budgeted receipts were decreased in the amounts of \$460,377 and \$93,162, respectively, in order to bring amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

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

Officials' Response:

Fiscal Officer will double check HINKLE report to ensure that budget to actual match UAN system.

FINDING NUMBER 2018-002

Noncompliance Citation

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

Additionally, **Ohio Rev. Code § 505.401**, allows the board of trustees of a fire district organized under division (C) of Section 505.37 of the Ohio Rev. Code to issue bonds for the purpose of acquiring fire-fighting equipment, buildings, and sites for the district or for the purpose of constructing or improving buildings to house fire-fighting equipment

During 2018 and 2017, the District made principal payments on outstanding promissory notes and an installment loan in the amount of \$97,522 and \$88,831, respectively. The promissory notes and commercial loan were used by the District to purchase ambulances, construct a new building, and purchase a fire truck.

This type of debt is not authorized in Ohio Rev. Code Chapter 133 or Ohio Rev. Code Section 505.401. Without a statutory provision authorizing these methods for incurring debt, the District was not permitted to use such methods. The District had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the District.

The District should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

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

FINDING NUMBER 2018-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

In 2018, the District inappropriately recorded \$4,875 from the sale of a tanker in the General Fund as other financing sources. This receipt and the related budgeted receipt should have been recorded in the Building & Apparatus Capital Project Fund as sale of capital assets. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The District should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

Fiscal Officer created fund 4901 Building & Apparatus Capital Project Fund and made the necessary correction moving 4875.00 from the General Fund to the Building & Apparatus Capital Project Fund.

FINDING NUMBER 2018-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(E) requires all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in section 133.01 of the Ohio Rev. Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue, and any interest and other income earned on money in such special fund may be used for the purposes for which the indebtedness was authorized or may be credited to the general fund or other fund or account as the taxing authority authorizes and used for the purposes of that fund or account. **Ohio Rev. Code § 133.01(GG)(1)** defines public obligations to include "securities" and **Ohio Rev. Code § 133.01(KK)** defines "securities" to mean "indebtedness, commercial paper, and other instruments in writing, including, unless the context does not admit, anticipatory securities, issued by an issuer to evidence its obligation to repay money borrowed, or to pay interest, by, or to pay at any future time other money obligations of, the issuer of the securities, but not including public obligations described in division (GG)(2) of this section."

In 2017, the District inappropriately recorded \$194,879 of installment loan proceeds in the General Fund as other financing sources. Given the source of the revenue, this should have been recorded in the Fire Truck Loan Fund as other debt proceeds. Additionally, the Township recorded the corresponding capital outlay expenditure related to the proceeds of this issuance; however the expenditure was incorrectly recorded as principal retirement in the General Fund. This disbursement and related expenditure authority should have been recorded as capital outlay in the Fire Truck Loan Fund. Audit adjustments are reflected in the financial statements and notes to the financial statements correcting the misstatement.

**FINDING NUMBER 2018-004
(CONTINUED)**

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The District should implement controls to help ensure all transactions are reviewed posted to the proper funds.

Officials' Response:

Fiscal Officer created a Capital Project fund to be used in the future.

FINDING NUMBER 2018-005

Noncompliance Citation

Business Loan Agreement dated August 11, 2017 for Loan Number 2609592 requires the District to furnish the lender with annual financial statements. Specifically:

"As soon as available, but in no event later than 150 days after the end of each fiscal year, Borrower's income statement for the year ended, prepared by the Borrower."

The District did not submit annual financial statements to the lender as required by this section for either of the years ended December 31, 2018 and December 31, 2017 due to deficiencies in the District's internal controls over debt covenant compliance. The failure to meet annual financial reporting requirements could result in the District being considered in default of the loan agreement, resulting in loan termination and immediate repayment of amounts outstanding.

The District should prepare and submit annual financial reports in accordance with this agreement.

Officials' Response:

Fiscal Officer to comply and submit annual reports to lender in the future.



ALLEN-CLAY JOINT FIRE DISTRICT

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	First reported in 2014. Material Weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	These matters were not corrected due to deficiencies in the District's internal controls over financial reporting. Fiscal Officer will double check HINKLE report to ensure that budget to actual match UAN system.
2016-002	Significant Deficiency for errors in the bank reconciliations.	Corrective action taken and finding is fully corrected.	N/A
2016-003	First reported in 2014. Ohio Rev. Code Chapter 133 and § 505.401 for issuing unallowable debt instruments.	Not corrected and reissued as Finding 2018-002 in this report.	This matter was not corrected due to deficiencies in the District's internal controls over debt compliance. 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

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OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 31, 2019**