



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PORTAGE FIRE DISTRICT  
OTTAWA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) – General Fund For the Year Ended December 31, 2017 .....	5
Statement of Receipts, Disbursements, and Changes in Fund Balance (Regulatory Cash Basis) – General Fund For the Year Ended December 31, 2016 .....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	7
Schedule of Findings.....	9
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	12

**This page intentionally left blank.**



## INDEPENDENT AUDITOR'S REPORT

Portage Fire District  
Ottawa County  
242 West Water Street, P.O. Box 240  
Oak Harbor, Ohio 43449-0240

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 Portage Fire District, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2017 and 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 adverse opinions.

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

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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

The District did not present notes to the financial statements, including any related required disclosures. The notes to the financial statements are an integral component of the financial statements and are necessary for fair presentation under the regulatory basis of accounting. The omission of which is material to the financial statements. Disclosures omitted by the District include but are not limited to the following: Reporting Entity, Significant Accounting Policies, Budgetary Activity, Deposits, Taxes, Risk Management, Defined Benefit Pension Plans, and Post-Employment Benefits.

***Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Portage Fire District, Ottawa County as of December 31, 2017 and 2016, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 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

January 18, 2019

**This page intentionally left blank.**



**Portage Fire District  
Ottawa County**

**Statement of Receipts, Disbursements  
and Changes in Fund Balance (Regulatory Cash Basis)  
General Fund  
For the Year Ended December 31, 2017**

---

---

	<u>General</u>
<b>Cash Receipts</b>	
Property and Other Local Taxes	\$258,604
Charges for Services	3,372
Intergovernmental	39,330
Earnings on Investments	762
Miscellaneous	17,168
	<hr/>
<i>Total Cash Receipts</i>	<i>319,236</i>
	<hr/>
<b>Cash Disbursements</b>	
Current Disbursements:	
Security of Persons and Property:	
Salaries	54,498
Materials and Supplies	9,409
Equipment	18,253
Other	87,235
	<hr/>
<i>Total Cash Disbursements</i>	<i>169,395</i>
	<hr/>
<i>Net Change in Fund Cash Balance</i>	<i>149,841</i>
	<hr/>
<i>Fund Cash Balance, January 1</i>	<i>371,727</i>
	<hr/>
<b>Fund Cash Balance, December 31</b>	
Assigned	148,560
Unassigned	373,008
	<hr/>
<i>Fund Cash Balance, December 31</i>	<i>\$521,568</i>
	<hr/> <hr/>

*See accompanying notes to the basic financial statement*

**Portage Fire District  
Ottawa County**

**Statement of Receipts, Disbursements  
and Changes in Fund Balance (Regulatory Cash Basis)  
General Fund  
For the Year Ended December 31, 2016**

---

---

	<u>General</u>
<b>Cash Receipts</b>	
Property and Other Local Taxes	\$266,367
Charges for Services	2,500
Intergovernmental	39,549
Earnings on Investments	483
Miscellaneous	7,439
	<hr/>
<i>Total Cash Receipts</i>	<i>316,338</i>
	<hr/>
<b>Cash Disbursements</b>	
Current Disbursements:	
Security of Persons and Property:	
Salaries	47,606
Materials and Supplies	14,110
Equipment	35,363
Other	233,763
	<hr/>
<i>Total Cash Disbursements</i>	<i>330,842</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>(14,504)</i>
	<hr/>
<i>Fund Cash Balance, January 1</i>	<i>386,231</i>
	<hr/>
<b>Fund Cash Balance, December 31</b>	
Assigned	261,177
Unassigned	110,550
	<hr/>
<i>Fund Cash Balance, December 31</i>	<i>\$371,727</i>
	<hr/> <hr/>

*See accompanying notes to the basic financial statement*

# OHIO AUDITOR OF STATE KEITH FABER



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

Portage Fire District  
Ottawa County  
242 West Water Street, P.O. Box 240  
Oak Harbor, Ohio 43449-0240

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 Portage Fire District, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated January 18, 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 and we issued an adverse opinion because the District did not present notes to the financial statements.

### ***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 2017-002 and 2017-003 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 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 2017-001.

***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

January 18, 2019

**PORTAGE FIRE DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.36(A)(1)** provides that on or about the first day of each fiscal year, the Fiscal Officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

In addition, **Ohio Rev. Code § 5705.39** provides 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.

The Clerk-Treasurer did not submit the certifications required under **Ohio Rev. Code § 5705.36(A)(1)** to the Ottawa County Auditor for 2017 resulting in the inability of the County Budget Commission to certify estimated resources. The failure to file the required certifications and obtain Amended Official Certificates of Estimated Resources summarizing available resources results in budgetary noncompliance, the inability to enter County Budget Commission approved estimated receipts to the District's accounting system, and a lack of accurate information being available for use in decision making and monitoring of financial activity. Additionally, the General Fund which had appropriations of \$257,400 approved by the Board of Trustees was in violation of the requirements of **Ohio Rev. Code § 5705.39**.

This noncompliance is the result of the Board having inadequate policies and procedures in place to ensure preparation of the budget and compliance with applicable budgetary laws.

The Clerk-Treasurer should certify fund balances and amounts available for expenditure to the Ottawa County Auditor on or about the first day of the fiscal year. Once an Amended Certificate of Estimated Resources is received, the Clerk-Treasurer and Board should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

**FINDING NUMBER 2017-002**

**Material Weakness – Bank Reconciliation**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Clerk-Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees are responsible for reviewing the reconciliations and related support.

The following errors were noted in the Bank to Book Reconciliation for the month ended December 31, 2016:

- There were Deposits-in-Transit totaling \$101,360 that were not recorded on the Bank Reconciliation which were the result of the maturity of a CD that was closed and the closing of a checking account at a Credit Union.
- There is an unexplained variance of \$549 as of December 31, 2016.

Further, the following errors were noted in the Bank to Book Reconciliation for the month ended December 31, 2017:

- There were Certificates of Deposit totaling \$300,052 that were excluded from the Bank Reconciliation
- There is an unexplained variance of \$477 as of December 31, 2017.

Failure to reconcile monthly increases the possibility that the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

These deficiencies were due to inadequate policies and procedures over preparing and monitoring bank reconciliations. The Clerk-Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews in the minutes.

### **FINDING NUMBER 2017-003**

#### **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, 2017:

- Intergovernmental receipts in the amount of \$39,330 were improperly classified as property and other local taxes; and
- General Fund Assigned Fund balance in the amount of \$148,560 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

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

- Intergovernmental receipts in the amount of \$39,549 were improperly classified as property and other local taxes; and
- General Fund assigned fund balance in the amount of \$261,177 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and where applicable, the District's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2017 and 2016.

Also due to deficiencies in the District's internal control policies over financial statement monitoring, the District failed to present notes to the financial statements. The notes to the financial statements are an integral component of the financial statements. Disclosures omitted include but are not limited to: Reporting Entity, Significant Accounting Policies, Budgetary Activity, Deposits, Taxes, Risk Management, Defined Benefit Pension Plans, and Post-Employment Benefits.

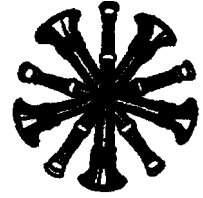
To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Clerk-Treasurer and Board members to help identify and correct errors and omissions. The Clerk-Treasurer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.



**PORTAGE FIRE DISTRICT**  
240 West Water Street  
P.O. Box 240  
Oak Harbor Ohio 43449  
Telephone 419/898-3109 Fax 419/898-6074



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Finding first reported in 2015. Material weakness for errors in financial reporting.	Not Corrected and repeated in this report as Finding 2017-003.	The client declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.
2015-002	Noncompliance for having a certificate of deposit with a credit union.	Fully Corrected.	N/A



# OHIO AUDITOR OF STATE KEITH FABER



**PORTAGE FIRE DISTRICT**

**OTTAWA COUNTY**

### **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2019**