



OHIO AUDITOR OF STATE
KEITH FABER



**PORTAGE FIRE DISTRICT
OTTAWA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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, 2019 and 2018.

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, 2019 and 2018, 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 Portage Fire District, Ottawa County, Ohio as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the 2019 financial statement and Note 9 to the 2018 financial statement, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

November 10, 2020

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Portage Fire District
Ottawa County
Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$267,409		\$267,409
Charges for Services	33,750		33,750
Intergovernmental	40,678		40,678
Earnings on Investments	1,389		1,389
Miscellaneous	13,633		13,633
<i>Total Cash Receipts</i>	<u>356,859</u>		<u>356,859</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries	46,514		46,514
Materials and Supplies	11,753		11,753
Equipment	276,808	\$100,000	376,808
Other	98,358		98,358
Debt Service:			
Principal Retirement	100,000		100,000
Interest and Fiscal Charges	2,109		2,109
<i>Total Cash Disbursements</i>	<u>535,542</u>	<u>100,000</u>	<u>635,542</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(178,683)</u>	<u>(100,000)</u>	<u>(278,683)</u>
Other Financing Receipts			
Proceeds of Debt		\$100,000	100,000
<i>Net Change in Fund Cash Balance</i>	(178,683)		(178,683)
<i>Fund Cash Balances, January 1</i>	<u>345,695</u>		<u>345,695</u>
Fund Cash Balances, December 31			
Assigned	<u>167,012</u>		<u>167,012</u>
<i>Fund Cash Balances, December 31</i>	<u>\$167,012</u>		<u>\$167,012</u>

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

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Portage Fire District, Ottawa County, Ohio (the District) as a body corporate and politic. The District is comprised of the Village of Oak Harbor (the Village) and Salem Township (the Township). A three-member Board of Trustees governs the District. The Village and the Township each appoint one member. The third member is a citizen of the District and is approved jointly by the Village and Township. The District provides fire protection services within the District and by contract to areas outside the District.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of a 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.

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 equipment disbursements associated with a fire truck purchase.

Basis of Accounting

The financial statement follows 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).

The statement includes 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.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2019

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2019

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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,900	\$356,859	\$71,959
Capital Projects	100,000	100,000	
Total	\$384,900	\$456,859	\$71,959

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$559,215	\$535,542	\$23,673
Capital Projects	100,000	100,000	
Total	\$659,215	\$635,542	\$23,673

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:

Demand deposits	2019 \$167,012
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Deposits are insured by the Federal Deposit Insurance Corporation.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2019

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 statement includes 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:

- Commercial property;
- General and management liability;
- Portable equipment;
- Vehicles; and
- Excess liability.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District's Fiscal Officer belongs 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. The OPERS member contributed 10 percent of her gross salary and the District contributed an amount equaling 14 percent of the participant's gross salary. The District has paid all contributions required through December 31, 2019.

Social Security

All employees not otherwise covered by the Ohio Public Employee Retirement System contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2019

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, 2019.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 - Debt

The District issued a commercial loan in January of 2019 through Croghan Colonial Bank in the amount of \$100,000 to purchase a fire truck. The loan was repaid in full prior to December 31, 2019. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

Note 10 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund at December 31, 2019.

Also contrary to Ohio law, the Fiscal Officer recorded debt proceeds and the corresponding equipment disbursement in the incorrect fund.

Portage Fire District
Ottawa County
Statement of Receipts, Disbursements,
and Change in Fund Balance (Regulatory Cash Basis)
General Fund
For the Year Ended December 31, 2018

	General
Cash Receipts	
Property and Other Local Taxes	\$267,104
Charges for Services	27,500
Intergovernmental	39,141
Grants	1,000
Earnings on Investments	4,363
Miscellaneous	6,614
<i>Total Cash Receipts</i>	<i>345,722</i>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Salaries	64,634
Materials and Supplies	43,636
Equipment	359,363
Other	53,962
<i>Total Cash Disbursements</i>	<i>521,595</i>
<i>Net Change in Fund Cash Balance</i>	<i>(175,873)</i>
<i>Fund Cash Balance, January 1</i>	<i>521,568</i>
Fund Cash Balance, December 31	
Assigned	274,315
Unassigned	71,380
<i>Fund Cash Balance, December 31</i>	<i>\$345,695</i>

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

Portage Fire District
Ottawa County
Notes to the Financial Statement
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 Portage Fire District, Ottawa County, Ohio (the District) as a body corporate and politic. The District is comprised of the Village of Oak Harbor (the Village) and Salem Township (the Township). A three-member Board of Trustees governs the District. The Village and the Township each appoint one member. The third member is a citizen of the District and is approved jointly by the Village and Township. The District provides fire protection services within the District and by contract to areas outside the District.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the General Fund.

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 fund of the District is presented below:

General Fund The General Fund accounts for and reports all financial resources of the District. The General Fund balance is available to the District for any purpose provided it is expended according to the general laws of Ohio.

Basis of Accounting

The financial statement follows 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).

The statement includes 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. Appropriations lapse at year end.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2018

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

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 statement does 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*. 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.

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.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2018

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	\$397,475	\$345,722	(\$51,753)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$605,843	\$521,592	\$84,251

Note 4 - Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2018
Demand deposits	\$345,695

Deposits are insured by the Federal Deposit Insurance Corporation.

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 statement includes 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.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2018

Note 6 - Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Commercial property;
- General and management liability;
- Portable equipment;
- Vehicles; and
- Excess liability.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District's Fiscal Officer belongs 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. The OPERS member contributed 10 percent of her gross salary and the District contributed an amount equaling 14 percent of the participant's gross salary. The District has paid all contributions required through December 31, 2018.

Social Security

All employees not otherwise covered by the Ohio Public Employee Retirement System 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

OPERS offers 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 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.

Portage Fire District
Ottawa County
Notes to the Financial Statement
For the Year Ended December 31, 2018

Note 9 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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, 2019 and 2018, and have issued our report thereon dated November 10, 2020 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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 2019-003 and 2019-004 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 2019-001 through 2019-003.

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

November 10, 2020

**PORTAGE FIRE DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code Chapters 133 and 505 authorize certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22 provides a subdivision to 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 states that 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; and

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 2019, the District made principal payments on an outstanding installment loan in the amount of \$100,000. The installment loan was used by the District to purchase a fire truck.

This type of debt is not authorized in Ohio Rev. Code Chapter 133 or Ohio Rev. Code Section 505.401. The District had no statutory authority to incur debt through installment loan with any banking institution. 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.

FINDING NUMBER 2019-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files 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. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2019 the District's appropriations exceeded the amount certified as available by the budget commission in the General Fund by \$52,484.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the District's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The District should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the District should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

FINDING NUMBER 2019-003

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 2019, the District inappropriately recorded \$100,000 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 proceeds of debt. Additionally, the District recorded the corresponding capital outlay expenditure related to the proceeds of this issuance as equipment disbursements in the General Fund. This disbursement and related appropriation authority should have been recorded as equipment disbursements in the Fire Truck Loan Fund. Audit adjustments are reflected in the financial statement and notes to the financial statement correcting the misstatement.

**FINDING NUMBER 2019-003
(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.

FINDING NUMBER 2019-004

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 statement and/or notes to the financial statement for the year ended December 31, 2019 were identified:

- The annual financial report filed in the Hinkle system did not contain the required fund balance classifications. General Fund assigned fund balance in the amount of \$167,012 has been classified in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Debt Fund actual receipts were decreased in the amount of \$100,000 in order to bring the amount reported in the Budgetary Activity note to the financial statement in line with the actual amount, as the District did not maintain a Debt Fund in its accounting records;
- Capital Projects Fund Type budgeted receipts were increased in the amount of \$100,000 in order to bring the amount reported in the Budgetary Activity note to the financial statement in line with the authorized budget amount; and
- The annual financial report filed in the Hinkle system omitted the Deposits note to the financial statement.

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

- General Fund opening and ending fund balances were understated in the amounts of \$303,303 and \$3,251, respectively, and proceeds from certificate of deposit and earnings on investments were overstated in the amounts of \$300,000 and \$52, respectively;
- General Fund budgeted receipts and appropriation authority were increased in the amounts of \$112,575 and \$177,493 in order to bring the amounts reported in the Budgetary Activity note to the financial statement in line with the authorized budget amounts;
- The annual financial report filed in the Hinkle system did not contain the required fund balance classifications. General Fund assigned and unassigned fund balance in the amounts of \$274,315 and \$71,381 have been classified in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- The annual financial report filed in the Hinkle system omitted the Deposits note to the financial statement.

**FINDING NUMBER 2019-004
(CONTINUED)**

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, notes to the 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, 2019 and 2018.

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 Fiscal Officer and Board of Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on 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, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 5705.36(A)(1) for the failure to certify the total amount available from all sources available for expenditure.	Fully corrected.	
2017-002	Material Weakness for errors in the bank reconciliations.	Fully corrected.	
2017-003	Material Weakness for errors in Financial Reporting. Finding initially reported as Finding 2015-001.	Not corrected and reissued as Finding 2019-004 in this report.	The District declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

OHIO AUDITOR OF STATE KEITH FABER



PORTAGE FIRE DISTRICT

OTTAWA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov