

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**



Dave Yost • Auditor of State

Board of Trustees
First Consolidated Fire District
115 North High Street
Caledonia, Ohio 43314

We have reviewed the Independent Auditors' Report of the First Consolidated Fire District, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Payroll Expenditures - Finding for Recovery – Repaid Under Audit

On August 28, 2012, the Board approved the appointed Fiscal Officer, Lavon Verity, at an annual salary rate of \$16,977, with no benefits. The Board requested that Lavon keep a timesheet for tracking purposes.

From January 1, 2013 through March 8, 2013 Lavon was off work due to illness and could not perform her fiscal officer duties. A visiting fiscal officer was contracted to fulfill her duties during her absence. Upon Lavon's return to work, she adjusted her paychecks in order to receive the entire annual salary for 2013 for the remaining pay periods she worked, instead of only receiving a prorated share of the annual salary. The Board did not approve this adjustment to her wages and Lavon should not have received wages for the time period she was off as that time was not supported by timesheets, as requested by the Board. Total wages received that related to Lavon's time off were \$3,264.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended in favor of the District's General Fund would have been issued against Lavon Verity, individually, in the amount of \$3,264. On February 24, 2015, Lavon Verity repaid \$3,264, which was posted to the District's General Fund.

We recommend the District pay all employees in accordance with the Board approved salary rate, supported by timesheets. Any additional or modified payment structure made to the fiscal officer should be supported by timesheets and board approvals.

Official's Response:

The Board of Trustees's submitted the following response: In the finding for recovery, Lavon was required to pay back \$3,264 for being off work due to a medical injury. On numerous occasions and at several times a day, Lavon was consulted on how to handle the fiscal officer duties. Lavon was consulting the "temporary traveling clerk" on a weekly basis due to the complexity of our special revenue EMS fund. Fire Chief Canterbury, at one point, was hand writing checks to make sure utilities and payroll were paid, all with the guidance of Lavon. Therefore, the First Consolidated Fire District Board of Trustees finds the amount of \$3,264 for "finding for recovery" represents compensation earned in our opinion. The First Consolidated Fire District Board of Trustees feels this judgment does not reflect a positive image of the true situation.

The Fiscal Officer also provided a response, as follows: In January 2013, I had a significant head injury from a fall. While I was off and unable to concentrate for long periods of time, I still was in contact with the Fire District on many issues. The visiting clerk called almost daily. There were just minor questions or something she needed clarity on. However, I remained in contact and helped in any capacity that I could. I did not keep track of every phone call or visit from the clerk or chief. While I was off, I did not get paid. Upon returning to work, the Fire Chief and I had a verbal conversation regarding my payroll. Because I was considered a salary employee, I took my salary and divided the pay periods left in the year and that was my wages. I did not do anything malicious about this at all. I understand that I asked the wrong person regarding my compensation and that time was not documented during my time off. However, I feel I have way more to lose than a couple thousand dollars. I am actively involved in our County government. I have worked hard to build relations with our local government officials and one cannot put a price tag on your own reputation. This finding is very serious to me because I work and keep all checks and balances in place.

AOS Conclusion: The board approved salary for the Fiscal Officer was contingent that timesheets be maintained to support her time worked. So while the Fiscal Officer and Trustees believe that the salary amount was earned, since there is no documented support for the time worked, the salary amount should not have been paid.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The First Consolidated Fire District is responsible for compliance with these laws and regulations.



Dave Yost
Auditor of State

May 12, 2015

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INDEPENDENT AUDITORS' REPORT

First Consolidated Fire District
Marion County
115 North High Street
Caledonia, Ohio 43314

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of First Consolidated Fire District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2013 and 2012.

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 Township's internal control. Accordingly, we express no 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 opinion.

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

As described in Note 1 of the financial statements, the Township 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be 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 permitted 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, 2013 and 2012, or 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 combined cash balances of First Consolidated Fire District, Marion County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, 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.



Certified Public Accountants

Marion, Ohio
February 24, 2015

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Special Revenue	Total Memorandum Only
CASH RECEIPTS:-			
Local taxes	\$ 986,964	\$ 0	\$ 986,964
Charges for services	0	136,285	136,285
Fines, licenses, and permits	0	90	90
Intergovernmental	59,893	0	59,893
Earnings on investments	121	0	121
Other revenue	72,458	3,500	75,958
Total cash receipts	1,119,436	139,875	1,259,311
CASH DISBURSEMENTS:-			
Current;-			
General government	880,376	146,579	1,026,955
Public safety	0	40,009	40,009
Capital outlay	7,500	0	7,500
Debt Service;-			
Principal retirement	82,175	41,886	124,061
Interest and fiscal charges	17,803	7,114	24,917
Total cash disbursements	987,854	235,588	1,223,442
Total cash receipts over (under) disbursements	131,582	(95,713)	35,869
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing receipts and disbursements			
	131,582	(95,713)	35,869
Fund cash balances, January 1, 2013	217,517	315,676	533,193
Fund cash balances, December 31, 2013			
Restricted	0	219,963	219,963
Unassigned	349,099	0	349,099
Fund cash balances, December 31, 2013	\$ 349,099	\$ 219,963	\$ 569,062

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

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Special Revenue	Total Memorandum Only
CASH RECEIPTS:-			
Local taxes	\$ 828,181	\$	\$ 828,181
Charges for services	0	155,496	155,496
Fines, licenses, and permits	25	200	225
Intergovernmental	43,564	3,094	46,658
Earnings on investments	378	0	378
Other revenue	19,419	0	19,419
Total cash receipts	891,567	158,790	1,050,357
CASH DISBURSEMENTS:-			
Current:-			
General government	800,068	125,853	925,921
Public safety	0	29,000	29,000
Capital outlay	7,500	0	7,500
Debt Service			
Principal	78,959	40,252	119,211
Interest	21,018	8,748	29,766
Total cash disbursements	907,545	203,853	1,111,398
Total cash receipts over (under) disbursements	(15,978)	(45,063)	(61,041)
OTHER FINANCING RECEIPTS AND DISBURSEMENTS:-			
Sale of Assets	10,000	0	10,000
Total other financing receipts (disbursements)	10,000	0	10,000
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(5,978)	(45,063)	(51,041)
Fund cash balances, January 1, 2012	223,495	360,739	584,234
Fund cash balances, December 31, 2012			
Restricted	0	315,676	315,676
Unassigned	217,517	0	217,517
Fund cash balances, December 31, 2012	\$ 217,517	\$ 315,676	\$ 533,193

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

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - First Consolidated Fire District, Marion County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Village of Caledonia, and the Townships of Canaan, Claridon, Scott, and Tully. The District provides fire protection and rescue services within the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

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

Cash and Investments - Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

Fund Accounting - The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Ambulance and Emergency Medical Service Fund

This fund receives money for the ambulance or emergency medical services provided by the District and should be expended to support the costs of the management, maintenance, and operation of the emergency medical services in the District.

Budgetary Process - The Ohio Revised Code requires that the District budget 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. The Marion County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Budgetary Process - (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Marion County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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:

Non-spendable

The District classifies assets as non-spendable 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

Commissioners can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners 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 the District's Board, 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.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Balance – (continued)

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.

Property, Plant and Equipment - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the District’s basis of accounting.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

		<u>2013</u>		<u>2012</u>
Demand Deposits	\$	536,942	\$	501,081
Star Ohio/MMA		<u>32,120</u>		<u>32,112</u>
Total deposits	\$	<u>569,062</u>	\$	<u>533,193</u>

Demand Deposits - The District’s deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution’s public entity deposit pool.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2013 was as follows:-

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 989,207	\$ 1,119,436	\$ 130,229
Special revenue	<u>120,000</u>	<u>139,875</u>	<u>19,875</u>
Total	\$ <u>1,109,207</u>	\$ <u>1,259,311</u>	\$ <u>150,104</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,092,377	\$ 987,854	\$ 104,523
Special revenue	<u>460,587</u>	<u>235,588</u>	<u>224,999</u>
Total	\$ <u>1,552,964</u>	\$ <u>1,223,442</u>	\$ <u>329,522</u>

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2012 was as follows:-

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 741,694	\$ 901,567	\$ 159,873
Special revenue	<u>120,000</u>	<u>158,790</u>	<u>38,790</u>
Total	\$ <u>861,694</u>	\$ <u>1,060,357</u>	\$ <u>198,663</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 934,531	\$ 907,545	\$ 26,986
Special revenue	<u>219,750</u>	<u>203,853</u>	<u>15,897</u>
Total	\$ <u>1,154,281</u>	\$ <u>1,111,398</u>	\$ <u>42,883</u>

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to Marion County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Marion County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Tangible personal property tax is being phased out.

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2013 was as follows:

	Rate	Principal Balance 2013
Fire Truck Bonds	4.00%	\$ 362,889
Medic Vehicle Bonds	4.00%	135,974
Total deposits		\$ 498,863

During 2010, the District issued securities in the form of bonds for the purchase of a fire truck under the provisions of Section 505.37 of the Ohio Revised Code. The District passed a 1.00% continuous property tax levy at the election held on May 5, 2009 with the intent to use the tax collection proceeds to pay the debt service on the bonds. The bonds were purchased by a financial institution under the terms of annual principal and interest payments of \$99,977 at an interest rate of 4% per annum with a maturity date of September 1, 2017. These bonds are callable for redemption prior to the date of maturity at the option of the District.

During 2011, the District issued securities in the form of bonds for the purchase of a medic vehicle under the provisions of Treasury Regulations § 1.148-1 issued under the Internal Revenue Code of 1986. The bonds were purchased by a financial institution under the terms of annual principal and interest payments of \$49,000 at an interest rate of 4% per annum with a maturity date of April 1, 2016. These bonds are callable for redemption prior to the date of maturity at the option of the District.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 5 - DEBT:- (continued)

Transactions for the years ended December 31, 2013 and 2012 are summarized as follows:

	Balance at January 1, 2013	Proceeds	Payments	Balance at December 31, 2013
Fire Truck Bonds	\$ 445,064	\$ 0	\$ 82,175	\$ 362,889
Medic Vehicle Bonds	177,860	0	41,886	135,974
Total	\$ 622,924	\$ 0	\$ 124,061	\$ 498,863

	Balance at January 1, 2012	Proceeds	Payments	Balance at December 31, 2012
Fire Truck Bonds	\$ 524,023	\$ 0	\$ 78,959	\$ 445,064
Medic Vehicle Bonds	218,112	0	40,252	177,860
Total	\$ 742,135	\$ 0	\$ 119,211	\$ 622,924

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

Year ending December 31,	Fire Truck Bonds		Medic Vehicle Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 85,462	\$ 14,516	\$ 43,561	\$ 5,439	\$ 129,023	\$ 19,955
2013	88,880	11,097	45,303	3,697	134,183	14,794
2014	92,415	7,563	47,110	1,890	139,525	9,453
2015	96,132	3,845	0	0	96,132	3,845
Total	\$ 362,889	\$ 37,021	\$ 135,974	\$ 11,026	\$ 498,863	\$ 48,047

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 - OPERATING LEASES:-

In June 2009, the District entered into a sixty month lease for a copying machine. This lease requires a monthly payment of \$156 with fees for excess copies.

Future minimum lease payments for this non-cancellable lease at December 31, 2013 are as follows:

2014	\$ <u>936</u>
	\$ <u><u>936</u></u>

NOTE 7 - RETIREMENT SYSTEMS:-

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. During 2013 and 2012, OPERS members contributed 10% of their gross salaries. The District contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The District has paid all contributions required through December 31, 2013.

NOTE 8 - RISK POOL MANAGEMENT:-

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful Acts
- Crime
- Inland marine
- Electronic Data Processing Management Liability

NOTE 9 - SUBSEQUENT EVENT:-

The District evaluated subsequent events through February 24, 2015, the date which the financial statements were available to be issued.



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

First Consolidated Fire District
Marion County
115 North High Street
Caledonia, Ohio 43314

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 First Consolidated Fire District, Marion County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered First Consolidated Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider a material weakness.

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 correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as 2013-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as 2013-001 and 2013-002 to be significant deficiencies.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 24, 2015

Compliance and other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we did not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

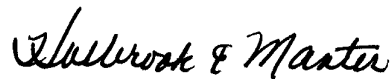
We did note certain noncompliance and other matters that we reported to the District's management in a separate letter dated February 24, 2015

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Certified Public Accountants

Marion, Ohio
February 24, 2015

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-001
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Significant Deficiency - Internal Control and Review Procedures

As stated in the prior audit, although the Board receives and reviews a select number of reports from the Fiscal Officer of the District for approval on a monthly basis, the District has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that the Board of Trustees are reviewing the numerical check sequence prior to signing the checks, however they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The District should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, among other things, the trustees' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the trustees' thoroughly reviewed and approved those documents. In addition, we also recommend that a review policy be set and adhered to by the Board each month and be noted in the minutes that such procedures were completed.

Officials' Response

The Fiscal Officer will continue to provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting, however the Trustee's complete a more detailed review of the financial information currently. The District will also document and approve the review of those reports and procedures performed within the monthly minutes.

Finding Number	2013-002
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Significant Deficiency – Timing and Bank Reconciliations

During our audit, we noted that the District was lacking proper reconciliation or bank accounts in 2012. Section 117-2-02 requires that accounting records be maintained and accurate at all times.

During our testing of cash, we noted that the clerk did not properly reconcile the bank. The clerk cleared two ACH transactions in 2012 that didn't actually clear the bank until January of the following year do to bank timing. The district should properly clear transactions only in the month and year that they are cleared in the bank. ACH transactions are not automatically clearing at the bank.

Officials' Response

The Fiscal Officer, was off due to a medical leave of absence and at her return she properly adjusted and reconciled all variances.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-003
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Material Weakness – Agency Tax Filing Accuracy/Payroll Processing/Formal Authorization of Payment

Section 117-2-02 of the Ohio Revised Code requires that the district maintain proper and accurate accounting records. This includes items such as properly maintaining cash journal, receipt ledgers, appropriation ledgers, and payroll records. Included in payroll records are proper tax filings, required IRS tax forms, payroll journal, check stubs, personnel files and approved leave.

During our audit, we noted a miscalculation of payroll for the Fiscal Officer during the payroll process. It was determined from testing and analysis that the Fiscal Officer spread the annual pay over a 10 month period rather than the 12 month period normally paid due to a leave of absence for medical reasons. After review of the minutes it was determined that no formal action was made by the Board approving the annual salary to be paid in full over the reduced number of month rather than a proration of the total payroll over the time she was not on the leave of absence. We recommend that moving forward the Board approve any unusual commitments or agreements for payroll or vendor checks being paid and verify with legal council the appropriate regulations are being followed prior to the transaction or agreement being entered into.

In addition, we noted various payouts as a result of a court case, which a portion of the payout was paid as a vendor check. During our testing and analysis and review of the court documents, it was determined these payments were for back pay and a stipend due to the chief. These amounts should have been considered for payment in payroll rather than a vendor check and possibly should have been included on the Chief's W-2 at year end rather than paid out during the year as a vendor payment. We recommend that moving forward a closer look to any unusual, nonrecurring transactions should be considered and discussed with legal council prior to the payment being paid.

Lastly, during our testing of payroll we noted that the clerk did not accurately file the 3rd quarter 941 IRS Tax Form for payroll tax withholding. We recommend the clerk reconcile the 941 to UAN's quarterly payroll report before filling the return.

Officials' Response

The Fiscal Officer, Ms. Verity was on sick leave for approximately 10 weeks due to an accident. Upon returning to work, she had not been paid for her time off. Based upon a verbal conversation she was instructed to pay her annual salary based upon the number of remaining pay periods. However, it was not documented properly and no formal action was taken to approve the time off pay.

In addition, the Fiscal Officer agrees with the 941 issues and will reconcile the wages each quarter to the 941.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	Material Weakness-Posting Errors.	Yes	Trustees have implemented certain procedures, and the Fiscal Officer is better Qualified then the previous fiscal officer.
2011-002	Material Weakness-Maintenance and Review of Time Sheets and Accumulated Time Off	Yes	Management has implemented certain procedures to reconcile time off. Reissued in management letter.
2011-003	Significant Deficiency - EMS Billing Review Procedures	Yes	Corrected
2011-004	Significant Deficiency - Internal Control and Review Procedures	No	Trustees have a policy in place but it is not yet being fully implemented
2011-005	Non Compliance Citation - Amending Certificates of Estimated resources	Yes	Corrected.

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Dave Yost • Auditor of State

FIRST CONSOLIDATED FIRE DISTRICT

MARION 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
MAY 26, 2015**