



Dave Yost • Auditor of State

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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Dave Yost • Auditor of State

Little Miami Joint Fire and Rescue District
Hamilton County
5800 Wooster Pike
Cincinnati, Ohio 45227

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Little Miami Joint Fire and Rescue District, Hamilton 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 District'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 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.

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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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion

The accompanying financial statements present unclassified receipts and disbursements by fund type totals only for 2013 and 2012. Ohio Administrative Code Section 117-2-02(A) requires the entity to classify receipts and disbursement transactions. In addition, the financial statements do not present fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio as of December 31, 2013 and 2012, and its combined unclassified cash receipts and unclassified disbursements for the years ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the District suffered recurring losses from operations and has negative fund cash balances at December 31, 2013 in the General Fund of (\$283,639) and in the Debt Service Fund of (\$562,046). Note 9 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 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 agreement 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2015

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LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>All Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Unclassified	\$2,146,002	\$632,772	\$132,165	\$0	\$2,910,939
Total Cash Receipts	<u>2,146,002</u>	<u>632,772</u>	<u>132,165</u>	<u>0</u>	<u>2,910,939</u>
Cash Disbursements:					
Unclassified	2,186,961	171,490	681,428	1,058,271	\$4,098,150
Total Cash Disbursements	<u>2,186,961</u>	<u>171,490</u>	<u>681,428</u>	<u>1,058,271</u>	<u>4,098,150</u>
Excess Receipts Over (Under) Disbursements	<u>(40,959)</u>	<u>461,282</u>	<u>(549,263)</u>	<u>(1,058,271)</u>	<u>(1,187,211)</u>
Net Change in Fund Cash Balance	(40,959)	461,282	(549,263)	(1,058,271)	(1,187,211)
Fund Cash Balances, January 1	<u>(242,680)</u>	<u>1,333,530</u>	<u>(12,783)</u>	<u>1,086,439</u>	<u>2,164,506</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$283,639)</u>	<u>\$1,794,812</u>	<u>(\$562,046)</u>	<u>\$28,168</u>	<u>\$977,295</u>

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

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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**

	<u>All Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Unclassified	\$2,018,705	\$612,126	\$144,761	\$0	\$2,775,592
Total Cash Receipts	<u>2,018,705</u>	<u>612,126</u>	<u>144,761</u>	<u>0</u>	<u>2,775,592</u>
Cash Disbursements:					
Unclassified	2,387,581	214,747	723,420	2,105,871	5,431,619
Total Cash Disbursements	<u>2,387,581</u>	<u>214,747</u>	<u>723,420</u>	<u>2,105,871</u>	<u>5,431,619</u>
Excess Receipts Over (Under) Disbursements	<u>(368,876)</u>	<u>397,379</u>	<u>(578,659)</u>	<u>(2,105,871)</u>	<u>(2,656,027)</u>
Net Change in Fund Cash Balance	(368,876)	397,379	(578,659)	(2,105,871)	(2,656,027)
Fund Cash Balances, January 1 (Restated - See Note 11)	<u>126,196</u>	<u>936,151</u>	<u>565,876</u>	<u>3,192,310</u>	<u>4,820,533</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$242,680)</u>	<u>\$1,333,530</u>	<u>(\$12,783)</u>	<u>\$1,086,439</u>	<u>\$2,164,506</u>

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio, (the District) as a body corporate and politic. A six-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Columbia Township, the Village of Fairfax, and the Village of Newtown. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 District did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements. In addition, the District did not classify fund balances in the accompanying financial statements. This is a material departure from the requirements of Governmental Accounting Standards Board Statement 54.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The District's cash and investments include deposits, certificate of deposits (CD's), money market, and repurchase agreement. The District has all cash deposits in an interest bearing checking account.

D. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Emergency Medical Services (EMS) – This fund receives billings for medical assistance.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Funds:

Bond Retirement Fund – This fund receives money for the retirement of a vehicle acquisition bond.

General Bond Retirement Fund – This fund receives tax levy money for the retirement of the capital project bond.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned 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:

Firehouse Construction Fund – This fund received bond money for the construction of the Newtown and Fairfax firehouses.

E. Budgetary Process

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

1. 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 County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	\$68,638	\$39,554
Total deposits	68,638	39,554
Money Market	534,378	1,983,250
Repurchase agreement	374,279	141,702
Total investments	908,657	2,124,952
Total deposits and investments	\$977,295	\$2,164,506

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

Investments: The PNC Bank holds the District's money market account and repurchase agreement in book-entry form by, in name of the District's financial institution. The financial institution maintains records identifying the District as owner of the investment.

A financial institution's trust department holds the District's equity securities in book entry form in the District's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,160,152	\$2,146,002	\$985,850
Special Revenue	142,900	632,772	489,872
Debt Service	570,979	132,165	(438,814)
Total	\$1,874,031	\$2,910,939	\$1,036,908

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,293,418	\$2,186,961	\$106,457
Special Revenue	237,000	171,490	65,510
Debt Service	640,478	681,428	(40,950)
Capital Projects	0	1,058,271	(1,058,271)
Total	<u>\$3,170,896</u>	<u>\$4,098,150</u>	<u>(\$927,254)</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,879,853	\$2,018,705	\$138,852
Special Revenue	184,156	612,126	427,970
Debt Service	438,844	144,761	(294,083)
Total	<u>\$2,502,853</u>	<u>\$2,775,592</u>	<u>\$272,739</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,370,042	\$4,489,147	\$1,880,895
Special Revenue	34,000	207,624	(173,624)
Debt Service	577,842	732,740	(154,898)
Capital Projects	0	2,105,871	(2,105,871)
Total	<u>\$6,981,884</u>	<u>\$7,535,382</u>	<u>(\$553,498)</u>

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated revenue available for expenditure in the General Fund (2013 and 2012) and the Debt Service Fund (2012).

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations in the Debt Service Fund (2012), Special Revenue Funds (2012), and Capital Projects Fund (2013 and 2012).

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds 2	\$140,000	Variable
Fire Bonds	7,490,000	Variable
Total	<u>\$7,630,000</u>	

The District issued general obligation bonds through the Ohio Capital Asset Financing Program as Fractionalized Interests to finance the purchase of a pick-up truck, car, and ambulance. The District's taxing authority collateralized the bonds.

In 2010, the District issued \$8,135,000 series long term general obligation bond (LTGO) in taxable Build America Bonds (BAB) that carry an interest subsidy payment. The bonds were issued for the construction of a new fire house. The bonds have a final maturity of December 1, 2036.

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

Year ending December 31:	General Obligation	
	<u>Bonds</u>	<u>Fire Bonds</u>
2014	\$40,250	\$494,032
2015	39,200	495,668
2016	37,800	496,620
2017	36,400	491,940
2018	0	496,636
2019-2023	0	2,471,079
2024-2029	0	2,469,144
2030-2034	0	2,466,410
2035-2036	0	1,481,832
Total	<u>\$153,650</u>	<u>\$11,363,361</u>

6. Retirement Systems

The District's certified Fire Fighters belong to the 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 plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10.75% and 10%, respectively of their wages. For 2013 and 2012, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

8. Fiscal Distress

The District has suffered losses indicative of the negative fund balances noted in the accompanying financial statements. See Note 9 for Management's plans regarding these negative conditions.

9. Management's Plan

At December 31, 2013 and 2012, the District had negative fund cash balances in the General and Debt Service Funds.

The District separated the Capital Project bonds from the other levies after the prior audit. The 2.3 mil levy passed for the collection of funds to be put towards the construction of the fire stations is technically an operating levy by ORC definition. (The District did not have enough property valuation to run a defined Capital Levy bond.) Funds received from the County auditor were lumped together on the "Statement of Semiannual Apportionment of Taxes" and everything was tracked through one fund. The District requested the County separate out the 2.3 mil levy from the other previous operating levies so funds used for this Capital Project can be tracked separately. This is now occurring. The District will consider reviewing the General Fund expenses, as some of these expenses may possibly be paid from the Special Revenue Fire/EMS Fund which could further help eliminate a General Fund negative fund balance.

10. Noncompliance

The District did not maintain the proper accounting records in accordance with Ohio Admin. Code 117-2-02(A).

The District did not establish funds as required by Ohio Rev. Code 5705.09.

Contrary to 5705.10(i), the District had negative fund balances in the General Fund and Debt Service Fund for 2013 and 2012.

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

11. Prior Period Adjustment

In 2011, the District recorded bond subsidies as receipts in the Capital Projects fund. These proceeds should be used to make debt principal and interest payments and therefore should have been recorded in the Debt Service Fund. Due to this, the District has made the following January 1, 2012 fund balance adjustments.

	Debt Service	Capital Projects
January 1, 2012 Fund Balance	\$ 406,561	\$ 3,351,625
Adjustment	159,315	(159,315)
Restated January 1, 2012 Fund Balance	\$ 565,876	\$ 3,192,310

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Dave Yost • Auditor of State

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

Little Miami Joint Fire and Rescue District
Hamilton County
5800 Wooster Pike
Cincinnati, Ohio 45227

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 Little Miami Joint Fire and Rescue District, Hamilton County, Ohio, (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 August 13, 2015 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 qualified our report on the governmental funds because the accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions. In addition, the December 31, 2013 and 2012 financial statement did not present fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54. The District also suffered recurring losses from operations and has negative fund balances at December 31, 2013 in the General Fund and Debt Service Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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 Entity'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. We consider findings 2013-001 and 2013-006 described in the accompanying schedule of findings 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 2013-001 through 2013-005.

We also noted certain matters that we have reported to management of the District in a separate letter dated August 13, 2015.

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.



Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2015

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by Ohio Admin. Code § 117-2-03.

Also, **Ohio Rev. Code, § 5705.09**, states, in part, each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Rev. Code, § 5705.10(B), state all revenue derived from general or special revenue levies for debt charges which is levied for the debt charges on serial bonds, notes, or certificate of indebtedness having a life less than five years, must be paid into the bond retirement fund. All such revenue which is levied for the debt charges on all other bonds, notes, or certificate of indebtedness is to be paid into the sinking fund.

In addition, **Ohio Rev. Code, § 5705.10(C)**, states all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made and Ohio Rev. Code § 5705.10 states, in part, all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose and all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in Ohio Rev Code § 133.10, *except premium and accrued interest*, are to be paid into a special fund for the purpose of such issue. Any interest earned on money in the special fund may be used for the purpose for which the indebtedness was authorized, or may be credited and used for an unauthorized fund or account.

We identified the following conditions to the District accounting system, accounting records, and financial statements:

The District had the following posting errors which resulted in audit adjustments to the financial statements:

- In 2013 and 2012, \$438,814 and \$431,685, respectively, of tax revenue was recorded in the Debt Service fund instead of the Special Revenue fund;
- In 2012, \$4,869 of tax revenue was recorded in the Debt Service fund instead of the General fund;

FINDING NUMBER 2013-001
(Continued)

- In 2013 and 2012, \$6,782 and \$9,320, respectively, auditor and treasurer fees were recorded in the Debt Service fund instead of \$474 and \$2,619, respectively to the General fund and \$6,308 and \$6,701, respectively, to the Special Revenue fund.
- In 2013 and 2012, \$46,539 and \$46,389, respectively, in homestead and rollback receipts were recorded in the General fund instead of the Special Revenue fund. The receipts were also posted at net instead of gross.
- Capital improvement expenditures of \$2,105,871 (2012) and \$1,058,271 (2013) were posted to the General Fund instead of the Firehouse Construction Capital Project Fund.

We also noted the following deficiencies in the District's accounting records and financial statements:

- The District maintained a receipts ledger; however, the ledger did not contain information on estimated receipts (and related balances of available resources).
- The District did not use pre-numbered duplicate receipt forms.
- The District did not maintain an appropriation ledger.
- The District did not maintain capital asset records, and did not establish a capital asset capitalization threshold.
- The District presented unclassified statements and did not maintain their day-to-day accounting system by fund. Rather, the District separated the financial activity by fund when preparing the financial statements.
- In 2013 and 2012, the District reported \$1,128 and \$9,586 respectively, of interest on the annual financial report but it wasn't posted to the accounting system.

Although the District prepared annual budgets for individual funds, the District recorded all 2013 and 2012 transactions in one fund and did not establish the funds required by these Ohio Revised Code Sections. The District failed to record special revenue and debt service revenues in the correct funds per 5705.10 requirements.

Failure to establish the required funds and properly monitor the related disbursements, increases the risk that restricted funds will be spent for purposes not allowed by the restriction, and that errors, theft or fraud will occur and not be detected in a timely manner.

An adequate system of internal control includes procedures which help ensure all transactions are properly executed and recorded and the related accountability for assets is maintained. The conditions described above indicate a lack of control over the processes for recording and reporting of the District's financial activity, and the lack of these controls increases the risk that errors, theft, fraud, or noncompliance with various provisions of state and federal statutes may occur and not be detected in a timely manner. The above adjustments were posted to the accompanying financial statements. However, since the District does not maintain ledgers by fund, the District could not post audit adjustments to their ledgers.

**FINDING NUMBER 2013-001
 (Continued)**

We recommend the District take immediate action to ensure complete and accurate accounting records, and complete, timely, and accurate financial reporting by implementing an effective monitoring control system to assist management in detecting posting errors and material misstatements which should include, having the Board review and approve, at the minimum monthly financial reports, bank reconciliations, and fund balances. We further recommend the District review its revenue sources and related restrictions, and establish the necessary funds. Also, the District should establish controls to ensure appropriate funds are established for new revenue sources as needed, and disbursements of those funds are monitored on a regular basis.

Complete and accurate accounting records and financial reporting will enable the Board to effectively monitor the District's financial activity.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code, § 5705.39, states in part, that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. The following funds had appropriations exceeding estimated revenues:

Fund Type (year)	Appropriations	Estimated Receipts	Variance
General (2013)	\$ 2,293,418	\$ 2,275,069	\$ (18,349)
General (2012)	6,370,042	5,220,825	(1,149,217)
Debt Service (2012)	577,842	445,522	(132,320)

Failure to limit appropriations to the amount of estimated resources may result in overspending and negative fund balances.

We recommend the District monitor appropriations to ensure they do not exceed estimated resources.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code, § 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

Fund Type (year)	Appropriations	Expenditures	Variance
Debt Service (2013)	\$640,478	\$681,428	\$(40,950)
Capital Projects (2013)	0	1,058,271	(1,058,271)
Debt Service (2012)	577,842	733,420	(145,578)
Special Revenue (2012)	34,000	214,747	(180,747)
Capital Projects (2012)	0	2,105,871	(2,105,871)

**FINDING NUMBER 2013-003
(Continued)**

We recommend the District monitor its spending to ensure expenditures are within appropriations. The variances above in the Capital Projects funds for 2013 and 2012 are the result of audit adjustments made in the accompanying financial statements for expenditures. The appropriations are included in the General Fund and were not adjusted to the Capital Projects Fund.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-004

Noncompliance

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

When designing the system of internal control and the specific control activities, management should consider ensuring:

- a) Reliability of financial reporting;
- b) Effectiveness and efficiency of operations;
- c) Compliance with applicable laws and regulations.

Ohio Admin. Code § 117-2-02(C)(1) requires all local public offices to integrate the budgetary accounts, at the level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely budgetary information at the fund level. Failure to update the system with the official budget increases the risk of relying on inaccurate information for monitoring compliance with applicable laws, operations, and proper reporting.

The District did not record budgetary amounts in their accounting system and did not maintain an accounting system to provide management with ongoing and timely budgetary information. Failure to update the system with approved appropriations increases the risk of relying on inaccurate information for monitoring compliance with applicable laws, operations, and proper reporting.

We recommend the District enter appropriation budgetary information into their accounting system and implement controls over updating system information.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-005

Noncompliance

Ohio Rev. Code, § 5705.10(i), states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The District had negative fund balances in the following funds:

General (2013)	(\$283,639)
Debt Service (2013)	(562,046)
General (2012)	(242,680)
Debt Service (2012)	(12,783)

Ultimately the negative fund balances are the result of the District spending more than the resources available to the District. We recommend the District monitor their spending against the revenues that are available.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-006

Material Weakness

Governmental Accounting Standard Board Statement (GASB) 54 is applicable for audit periods beginning after June 15, 2010. This statement eliminates the reserved component of governmental fund balances in favor of a restricted classification to enhance the consistency of information between the government-wide statements and the governmental fund financial statements. The statement also enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The District is required to follow GASB 54 but did not report fund balance in accordance with GASB 54.

We recommend the District report fund balances in accordance with GASB 54. Failure to do so could mislead users of the financial statements. Auditor of State Bulletin 2011-004 provides an explanation of GASB 54 and implementation guidance.

Officials' Response:

We did not receive a response from Officials to this finding.

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**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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	ORC § 5705.09 requires establishment of required funds and proper monitoring.	No	Not corrected- Reissued as Finding 2013-001
2011-002	ORC § 5705.39 requires appropriations not to exceed estimated resources.	No	Not corrected – Reissued as Finding 2013-002
2011-003	GASB 54 applicable to all audits after June 15, 2010.	No	Not corrected – Reissued as Finding 2013-006
2011-004	OAC § 117-2-02(A) requires public offices to maintain a sufficient accounting system and accounting records.	No	Not corrected – Reissued as Finding 2013-001
2011-005	ORC § 5705.41(D)(1) not properly certifying funds before expenditure incurred.	No	Not corrected – Reissued as management letter citation

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Dave Yost • Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT

HAMILTON 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
SEPTEMBER 3, 2015**