

Little Miami Joint Fire and Rescue District  
Hamilton County  
Regular Audit  
For the Years Ended December 31, 2015 and 2014



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# Dave Yost • Auditor of State

Board of Trustees  
Little Miami Joint Fire and Rescue District  
5800 Wooster Pike  
Cincinnati, Ohio 45227

We have reviewed the *Independent Auditor's Report* of the Little Miami Joint Fire and Rescue District, Hamilton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2015. 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.

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 Little Miami Joint Fire and Rescue District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 28, 2016

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**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
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*For the Years Ended December 31, 2015 and 2014*

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**Independent Auditor's Report**

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

***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 the Little Miami Joint Fire and Rescue District, Hamilton County, (the District) as of and for the years ended December 31, 2015 and 2014.

***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 opinions.

***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.

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, 2015 and 2014, 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 the Little Miami Joint Fire and Rescue District, Hamilton County, as of December 31, 2015 and 2014, 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 September 21, 2016, 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

September 21, 2016



**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balance*  
*Governmental Fund Type*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Debt Service	Capital Projects	Total
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$1,854,986	\$455,322	\$0	\$0	\$2,310,308
Charges for Services	0	115,083	0	0	115,083
Intergovernmental	184,682	46,476	130,464	0	361,622
Earnings on Investments	223	0	0	0	223
Miscellaneous	22,082	0	0	0	22,082
<b>Total Cash Receipts</b>	<b>2,061,973</b>	<b>616,881</b>	<b>130,464</b>	<b>0</b>	<b>2,809,318</b>
<b>Cash Disbursements:</b>					
<b>Current Disbursements:</b>					
<b>Security of Persons and Property:</b>					
Salaries	1,082,683	482,713	0	0	1,565,396
Benefits	310,398	92,569	0	0	402,967
Purchased Services	266,954	2,614	0	0	269,568
Materials and Supplies	24,909	18,667	0	0	43,576
Other	4,835	0	0	0	4,835
<b>Debt Service:</b>					
Principal	0	270,000	0	12,422	282,422
Interest and Fiscal Charges	0	274,764	130,464	0	405,228
<b>Total Cash Disbursements</b>	<b>1,689,779</b>	<b>1,141,327</b>	<b>130,464</b>	<b>12,422</b>	<b>2,973,992</b>
<b>Net Change in Fund Cash Balance</b>	<b>372,194</b>	<b>(524,446)</b>	<b>0</b>	<b>(12,422)</b>	<b>(164,674)</b>
<b>Fund Cash Balance, January 1</b>	<b>(289,171)</b>	<b>1,030,592</b>	<b>0</b>	<b>24,844</b>	<b>766,265</b>
<b>Fund Cash Balance, December 31:</b>					
Restricted	0	506,146	0	12,422	518,568
Unassigned	83,023	0	0	0	83,023
<b>Fund Cash Balance, December 31</b>	<b>\$83,023</b>	<b>\$506,146</b>	<b>\$0</b>	<b>\$12,422</b>	<b>\$601,591</b>

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

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balance*  
*Governmental Fund Type*  
*For the Year Ended December 31, 2014*

	General	Special Revenue	Debt Service	Capital Projects	Total
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$1,803,075	\$443,340	\$0	\$0	\$2,246,415
Charges for Services	0	146,374	0	0	146,374
Intergovernmental	179,925	46,733	131,863	40,000	398,521
Earnings on Investments	825	0	0	0	825
Miscellaneous	25,017	0	0	0	25,017
<b>Total Cash Receipts</b>	<b>2,008,842</b>	<b>636,447</b>	<b>131,863</b>	<b>40,000</b>	<b>2,817,152</b>
<b>Cash Disbursements:</b>					
<b>Current Disbursements:</b>					
<b>Security of Persons and Property:</b>					
Salaries	1,407,796	216,155	0	0	1,623,951
Benefits	323,024	51,190	0	0	374,214
Purchased Services	232,693	11,610	0	0	244,303
Materials and Supplies	36,681	14,801	0	0	51,482
Other	5,082	275	0	0	5,357
Capital Outlay	0	0	0	77,265	77,265
<b>Debt Service:</b>					
Principal	9,098	265,000	0	43,324	317,422
Interest and Fiscal Charges	0	279,590	131,863	0	411,453
<b>Total Cash Disbursements</b>	<b>2,014,374</b>	<b>838,621</b>	<b>131,863</b>	<b>120,589</b>	<b>3,105,447</b>
Excess Receipts Under Disbursements	(5,532)	(202,174)	0	(80,589)	(288,295)
<b>Other Financing Receipts:</b>					
Proceeds from Lease	0	0	0	77,265	77,265
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>77,265</b>	<b>77,265</b>
<b>Net Change in Fund Cash Balance</b>	<b>(5,532)</b>	<b>(202,174)</b>	<b>0</b>	<b>(3,324)</b>	<b>(211,030)</b>
<b>Fund Cash Balance, January 1-Restated</b>	<b>(283,639)</b>	<b>1,232,766</b>	<b>0</b>	<b>28,168</b>	<b>977,295</b>
<b>Fund Cash Balance, December 31:</b>					
Restricted	0	1,030,592	0	24,844	1,055,436
Unassigned (Deficit)	(289,171)	0	0	0	(289,171)
<b>Fund Cash Balance, December 31</b>	<b>(\$289,171)</b>	<b>\$1,030,592</b>	<b>\$0</b>	<b>\$24,844</b>	<b>\$766,265</b>

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*  
*For the Years Ended December 31, 2015 and 2014*

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**Note 1 – Summary of Significant Accounting Policies**

**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.

**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 District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**Deposits and Investments**

The District's cash and investments include deposits and a money market account. The District has all cash deposits in an interest bearing checking account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

*Special Revenue Fund* – 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 Funds:

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

*Fire Tax Levy Fund* – This fund receives property tax monies and related intergovernmental funds for use in providing and maintaining fire apparatus, appliances, buildings, or sites, and various other purposes.

*Debt Service Fund* – 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 Fund:

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*Bond Retirement Fund* – This fund receives annual federal interest subsidy payments to be used to repay a portion of interest obligations of the fire bonds.

*Capital Projects Fund* – 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 Funds:

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

*BWC Grant Fund* – In 2014, the District received a \$40,000 grant to be used for capital purposes. The District purchased equipment with this funding.

### **Budgetary Process**

The Ohio Revised Code requires that 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

#### *Estimated Resources*

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

#### *Encumbrances*

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

### **Fund Balances**

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 resources in governmental funds. 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.

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*Committed* – The Board of Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board of Trustees amends 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 Board of Trustees or a District official delegated that authority by resolution, or by State statute.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**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.

**Note 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 amounts of deposits and investments at December 31 were as follows:

	2015	2014
Demand Deposits	\$495,282	\$410,180
Money Market	106,309	356,085
Total Deposits and Investments	<u>\$601,591</u>	<u>\$766,265</u>

*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 in book-entry form by, and in the name of, the District’s financial institution. The financial institution maintains records identifying the District as owner of the investment.

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,242,549	\$2,061,973	(\$180,576)
Special Revenue	130,000	616,881	486,881
Debt Service	610,714	130,464	(480,250)
<b>Total</b>	<b>\$2,983,263</b>	<b>\$2,809,318</b>	<b>(\$173,945)</b>

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,163,223	\$1,689,779	\$473,444
Special Revenue	350,542	1,141,327	(790,785)
Debt Service	636,302	130,464	505,838
Capital Projects	0	12,422	(12,422)
<b>Total</b>	<b>\$3,150,067</b>	<b>\$2,973,992</b>	<b>\$176,075</b>

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,910,533	\$2,008,842	\$98,309
Special Revenue	130,000	636,447	506,447
Debt Service	636,202	131,863	(504,339)
Capital Projects	0	117,265	117,265
<b>Total</b>	<b>\$2,676,735</b>	<b>\$2,894,417</b>	<b>\$217,682</b>

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,968,248	\$2,014,374	(\$46,126)
Special Revenue	467,295	838,621	(371,326)
Debt Service	636,202	131,863	504,339
Capital Projects	0	120,589	(120,589)
<b>Total</b>	<b>\$3,071,745</b>	<b>\$3,105,447</b>	<b>(\$33,702)</b>

**Note 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.

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
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The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**Note 5 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$70,000	Variable
Fire Bonds	7,025,000	Variable
Lease-Purchase Agreement	12,421	0%
Total	\$7,107,421	

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. These bonds are being repaid from the Fire Tax Levy Fund.

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. These bonds are being repaid from the Fire Tax Levy Fund and the Bond Retirement Fund.

In 2014, the District entered into a lease purchase agreement with Stryker Flex Financial for the purchase of equipment. This lease purchase agreement required a \$40,000 payment due at signing and three subsequent annual payments of \$12,422 at a 0% interest rate. The lease holds an equipment purchase option of \$1 at the end of the lease. The final payment will be made in 2016. The lease is secured by the equipment purchased. This lease is being repaid from the General Fund, the Firehouse Construction Fund, and the BWC Grant Fund.

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

Year Ending December 31	General Obligation Bonds	Fire Bonds	Lease Purchase
2016	\$37,800	\$496,620	\$12,421
2017	36,400	491,940	0
2018	0	496,636	0
2019	0	495,542	0
2020	0	496,675	0
2021-2025	0	2,464,926	0
2026-2030	0	2,469,723	0
2031-2035	0	2,467,461	0
2036	0	494,143	0
Total	\$74,200	\$10,373,666	\$12,421

**Note 6 – Retirement Systems**

The District’s certified 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 plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

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The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10.75% of their wages for the period of January 1, 2014 through July 1, 2014, 11.5% for the period of July 2, 2014 through July 1, 2015, and 12.25% for the period of July 2, 2015 through December 31, 2015. For 2015 and 2014, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2015 and 2014, 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, 2015.

**Note 7 – Risk Management**

The District has obtained commercial insurance for the following risks:

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

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The District is not currently party to any lawsuits.

**Note 9 – Compliance**

- The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).
- The District had a negative fund balance in its general fund throughout 2014 and into 2015, which is contrary to Ohio Revised Code Section 5705.10.
- The District had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.
- The District had disbursements in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).
- The District's budgetary information within its accounting system was not in agreement with approved budgetary documents, which is contrary to Ohio Administrative Code Section 117-2-02(C)(1).

**Note 10 – Subsequent Event**

The Village of Newtown withdrew from the District effective January 1, 2016. The District and the Village entered into a lease agreement for the Village to continue to use the firehouse within the Village's boundaries and certain equipment and other assets until the District and the Village entered into a separation agreement. On August 17, 2016, a separation agreement was approved by the District's Board. As of September 21, 2016, the District and Village are awaiting final approval of the agreement by the County Auditor's Office.



**Little Miami Joint Fire and Rescue District**  
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**Note 11 – Restatement of Beginning Balances**

The District’s attorney issued an opinion that the District’s Fire Tax Levy may be used to repay debt issued to build the firehouse. The previously reported debt service fund balance was adjusted under audit to reflect debt service payments but was not correspondingly adjusted to allow for the property tax levy proceeds to be used for debt repayment purposes which resulted in a negative fund balance. The fund balances of the special revenue and debt service funds were restated to correct this issue.

	Special Revenue	Debt Service
Fund Balance, As Reported, December 31, 2013	\$1,794,812	(\$562,046)
Restatement	(562,046)	562,046
Fund Balance, As Corrected, January 1, 2014	\$1,232,766	\$0

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of 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. 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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-006 through and 2015-008, that we consider to be material weaknesses.

Little Miami Joint Fire and Rescue District  
Hamilton County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of 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 do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001 through 2015-005.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

September 21, 2016

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2015 and 2014*

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**Finding Number 2015-001**

**Noncompliance – Prior Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Clerk is attached thereto. The Clerk must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that the Clerk’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the Clerk can certify that both at the time that the contract or order was made (“then”), and at the time that the Clerk is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Clerk without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – The Clerk may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not properly certify the availability of 48% of disbursements selected for testing prior to the obligation date. Failure to properly certify the availability of funds properly can result in overspending funds and negative cash fund balances. Unless the District uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, the Clerk should certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

*District’s Response:*

The Clerk-Treasurer will use the “then and now” purchase orders with the statement that funds are available now and were available at the time of the expense/obligation. The District has adopted a blanket order purchase order system from prior audit suggestions for specific line items in the appropriations.

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2015 and 2014*

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**Finding Number 2015-002**

**Noncompliance – Negative Fund Balances**

Ohio Revised Code Section 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 a negative fund balance in the General Fund throughout 2014 and into 2015, although we did note that this issue was resolved by the end of 2015. The District should implement monitoring procedures to ensure that funds are spent from proper funds and should review budget to actual activity to ensure that negative fund balances do not occur.

*District's Response:*

The Clerk-Treasurer will make sure that a continual review of the District's budget to actual expenditures is occurring by fund so that negative fund balances do not occur.

**Finding Number 2015-003**

**Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Instances of appropriations in excess of estimated resources were identified at December 31, 2015 and 2014. In addition, we noted that the only document containing appropriations were filed in May of each year and that this document did not agree to the appropriations documented as adopted within the minute record. Failure to limit appropriations to estimated resources may result in unauthorized spending or overspending. Furthermore, inaccuracies in budgetary documents may result in the Board of Trustees relying on inaccurate or incomplete information while making financial decisions. The District should implement procedures to ensure that appropriations are limited to estimated resources. The District should also ensure that appropriations are accurately and timely filed with the County Auditor so as to ensure that they are considered effective within a reasonable time after adoption and for the authorized amounts.

*District's Response:*

The Clerk-Treasurer will ensure that any supplemental appropriations done throughout a fiscal year will be forward to the County Auditor to ensure total appropriations within each fund do not exceed allowable appropriations.

**Finding Number 2015-004**

**Noncompliance – Disbursements in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Instances of expenditures in excess of appropriations were noted at December 31, 2015 and 2014. In addition, we noted that the District's appropriations do not appear to have been filed with the County Auditor until May of each year. Since appropriations are not considered to be effective until filed with the County Auditor, all expenditures made prior to those filing dates are also considered in excess of appropriations. Failure to limit expenditures to authorized appropriation levels may result in unauthorized spending or overspending. The District should implement procedures to ensure that expenditures are limited to appropriations and timely filed with the County Auditor.

*District's Response:*

The Clerk-Treasurer will ensure that the appropriations for a particular year are submitted to the County Auditor shortly after the adoption by the Board in December of the previous year.

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2015 and 2014*

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**Finding Number 2015-005**

**Noncompliance – Budget Information Within Accounting System**

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 Administrative Code Section 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 accurately record budgetary amounts in their accounting system. 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. The District should monitor budgetary information entered into its accounting system to ensure accurate accounting records are maintained.

*District's Response:*

Budgets are currently tracked on paper. The Clerk-Treasurer intends to set up budget amounts within the UAN system.

**Finding Number 2015-006**

**Material Weakness – Fund Balance Classifications**

Governmental Accounting Standards Board (GASB) Statement No. 54 is applicable for audit periods beginning after June 15, 2010 and 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. This 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.

Although the District does not report in accordance with U.S. GAAP, the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit also requires a modified recognition of fund balance classifications consistent with GASB 54. Auditor of State Bulletin 2011-004 provides an explanation of GASB 54 and implementation guidance. However, the District did not classify its fund balances on this basis. Adjustments were required in order to properly recognize fund balance classifications. The District should implement procedures to ensure that its financial report is presented in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

*District's Response:*

The client chose not to respond.

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2015 and 2014*

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**Finding Number 2015-007**

**Material Weakness – House Fund Bank Account**

Effective communication and proper operating and monitoring controls are imperative to ensure that an entity has a properly functioning environment for enabling the entity to record and report activity of the entity accurately and completely and for ensuring financial activity is for a proper public purpose.

During the course of the audit, we discovered that the District has an outside account of which the fiscal officer was unaware and for which no operating or monitoring controls are in place. As a result, the current period's activity and ending balances were not reported. Furthermore, the account was not reconciled and a complete accounting of transactions was not maintained. In addition, supporting documentation for only a small number of transactions could be produced by the District. Lastly, there is no formal policy in place to provide funding for the account or to govern usage. The District should adopt a formal policy regarding usage of this account, including funding the account and maintaining supporting documentation for expenditures. Furthermore, this account should be recorded on the District's books, properly and timely reconciled, and monitored to ensure that all laws and regulations applicable to fire and rescue districts are followed.

*District's Response:*

The House Fund account will be budgeted within the LMFR budget. Monthly reconciliations of the account will be done on a monthly basis. All deposits and receipts shall be provided to the Clerk-Treasurer at the end of each month in order for reconciliations to be prepared. A policy governing the use of this account shall be established by the Board.

**Finding Number 2015-008**

**Material Weakness – Financial Reporting**

A sound internal control environment is pertinent to ensure that management properly presents the financial activity of the District. During the course of testing, we noted various misstatements and misclassifications within the District's accounting records and financial statements. In addition, we noted that the District had an unrecorded outside bank account and does not include its investment balances and related activity within its accounting system, which requires additional computations and adjustments to present its financial activity in its annual financial report. Furthermore, certain accounting standards applicable to the District's regulatory accounting basis was not followed for its 2015 financial statements as presented. The District should implement additional operating and monitoring procedures to ensure that financial activity is presented accurately and completely within the accounting records and financial statements.

*District's Response:*

The Clerk will incorporate the outside bank account (House Fund) into its accounting system as well as classify expenditures into the correct classification of funds.

**Little Miami Joint Fire and Rescue District**  
**Hamilton County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2015 and 2014*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2013-001	Noncompliance/Material Weakness – Ohio Revised Code Section 5705.09 Establishment of Required Funds and Financial Reporting	No	Reissued, in part, as finding 2015-008
Finding 2013-002	Noncompliance – Ohio Revised Code Section 5705.39 Appropriations in Excess of Estimated Resources	No	Reissued as finding 2015-003
Finding 2013-003	Noncompliance – Ohio Revised Code Section 5705.41(B) Expenditures in Excess of Appropriations	No	Reissued as finding 2015-004
Finding 2013-004	Noncompliance – Ohio Administrative Code Section 117-2-02(C)(1) Budget Information within the Accounting System	No	Reissued as finding 2015-005
Finding 2013-005	Noncompliance – Ohio Revised Code Section 5705.10 Negative Fund Balances	No	Reissued as finding 2015-002
Finding 2013-006	Material Weakness – Governmental Accounting Standards Board Statement 54 Improper Classification of Fund Balances	No	Reissued as finding 2015-006





# Dave Yost • Auditor of State

**LITTLE MIAMI JOINT 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  
DECEMBER 8, 2016**