



Dave Yost • Auditor of State

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clinton Highland Joint Fire District
Clinton County
P.O. Box 25
676 West Main Street
New Vienna, Ohio 45159

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Clinton Highland Joint Fire District, Clinton County, (the Government) 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 opinion.

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 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 Clinton Highland Joint Fire District, Clinton 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

April 10, 2017

Clinton Highland Joint Fire District
Clinton County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$243,636	\$0	\$243,636
Charges for Services	21	103,569	103,590
Intergovernmental	51,768	0	51,768
Earnings on Investments	507	564	1,071
Miscellaneous	3,875	0	3,875
<i>Total Cash Receipts</i>	<u>299,807</u>	<u>104,133</u>	<u>403,940</u>
Cash Disbursements			
Current:			
General Government	97,299	0	97,299
Public Safety	117,032	130,545	247,577
Capital Outlay	6,640	0	6,640
<i>Total Cash Disbursements</i>	<u>220,971</u>	<u>130,545</u>	<u>351,516</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>78,836</u>	<u>(26,412)</u>	<u>52,424</u>
<i>Fund Cash Balances, January 1</i>	<u>614,950</u>	<u>203,584</u>	<u>818,534</u>
Fund Cash Balances, December 31			
Restricted	0	177,172	177,172
Assigned	276,496	0	276,496
Unassigned (Deficit)	417,290	0	417,290
<i>Fund Cash Balances, December 31</i>	<u>\$693,786</u>	<u>\$177,172</u>	<u>\$870,958</u>

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

Clinton Highland Joint Fire District
Clinton County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$233,306	\$0	\$233,306
Charges for Services	1,626	89,064	90,690
Intergovernmental	72,438	0	72,438
Earnings on Investments	253	351	604
Miscellaneous	12,713	0	12,713
<i>Total Cash Receipts</i>	<u>320,336</u>	<u>89,415</u>	<u>409,751</u>
Cash Disbursements			
Current:			
General Government	117,987	0	117,987
Public Safety	153,768	79,133	232,901
Capital Outlay	71,680	0	71,680
<i>Total Cash Disbursements</i>	<u>343,435</u>	<u>79,133</u>	<u>422,568</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(23,099)</u>	<u>10,282</u>	<u>(12,817)</u>
<i>Fund Cash Balances, January 1</i>	<u>638,049</u>	<u>193,302</u>	<u>831,351</u>
Fund Cash Balances, December 31			
Restricted	0	203,584	203,584
Assigned	194,568	0	194,568
Unassigned (Deficit)	420,382	0	420,382
<i>Fund Cash Balances, December 31</i>	<u>\$614,950</u>	<u>\$203,584</u>	<u>\$818,534</u>

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clinton Highland Joint Fire District, Clinton County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna. 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Funds:

Ambulance and Emergency Medical Service Fund – This fund receives receipts from the billing of emergency funds. The District only bills non-residents for emergency runs.

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.

Budgetary Process

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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. 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. The District did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

Deposits and Investments

The District's funds are deposited in a checking account and CD's with a local commercial bank.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$497,467 and \$538,003 for the years ended December 31, 2015 and 2014. The Special Revenue fund budgetary expenditures exceeded appropriations by \$149,235 and \$86,396 for the years ended December 31, 2015 and 2014.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$299,807	\$299,807
Special Revenue	0	104,133	104,133
Total	\$0	\$403,940	\$403,940

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$320,336	\$320,336
Special Revenue	0	89,415	89,415
Total	\$0	\$409,751	\$409,751

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$497,467	(\$497,467)
Special Revenue	0	149,235	(149,235)
Total	\$0	\$646,702	(\$646,702)

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 4 – Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$538,003	(\$538,003)
Special Revenue	0	86,396	(86,396)
Total	\$0	\$624,399	(\$624,399)

Note 5 – 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:

	2015	2014
Demand deposits	\$760,213	\$708,117
Certificates of deposit	\$110,745	\$110,417
Total deposits	870,958	818,534

Deposits

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 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.

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description –District employees', participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contribution was \$16,501, for year 2015.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent to fund these benefits.

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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

Clinton Highland Joint Fire District
Clinton County
P.O. Box 25
676 West Main Street
New Vienna, Ohio 45169

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Clinton Highland Joint Fire District, (the District) as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated April 10, 2017, 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

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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, 2015-002, 2015-003 and 2015-004.

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

April 10, 2017

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The District lacked controls to ensure that certain transactions were posted accurately. We identified the following conditions related to the District's accounting system, which have been posted to the financial statements:

2015					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Property Taxes	\$19,759	General Fund	Intergovernmental	\$19,759
CAT Tax was recorded as Property Taxes receipts and should have been recorded as Intergovernmental receipts.					
General Fund	General Government	\$11,189	General Fund	Property Taxes	(\$11,189)
The District incorrectly recorded reimbursements related to property tax credits as a General Government disbursement rather than a reduction in Property Taxes receipts.					
General Fund	Fund Balance-Unassigned	\$276,490	General Fund	Fund Balance - Assigned	\$276,490
GASB 54 requires year end encumbrances to be posted as assigned, the above encumbrances were incorrectly recorded as unassigned. Also, unpaid withholdings were recorded as unassigned and should have been recorded as Assigned.					

2014					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Property Taxes	\$39,391	General Fund	Intergovernmental	\$39,391
Homestead/Rollback and CAT tax were recorded as Property Taxes receipts and should have been recorded as Intergovernmental receipts.					
General Fund	Fund Balance-Unassigned	\$194,568	General Fund	Fund Balance - Assigned	\$194,568
GASB 54 requires year end encumbrances to be posted as assigned, the above encumbrances were incorrectly recorded as unassigned. Also, unpaid withholdings were recorded as unassigned and should have been recorded as Assigned.					

**FINDING NUMBER 2015-001
 (Continued)**

These errors were caused by lack of timely monitoring of the posting of transactions and account classification. Failure to accurately post and transactions and classify checking account balances could result in material errors in the District's financial statements and reduces the ability of Board to monitor financial activity and to make sound financial decisions.

We recommend that officials monitor the posting of transactions and classification in checking accounts.

Officials' Response:

The Officials did not respond to this finding.

FINDING NUMBER 2015-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code, Section 5705.39 requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Although the District documented approval of the annual appropriations in the minutes, the District did not file the 2015 and 2014 appropriation measure with the county auditor and therefore the appropriation measures were not in effect.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated.

Because the appropriation measure was not in effect, the following funds had expenditures which exceeded appropriations:

2015	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$497,467	(\$497,467)
AMB and Emergency Medical Service Fund	0	149,235	(149,235)
2014			
General Fund	0	538,003	(538,003)
AMB and Emergency	0	86,396	(86,396)

Failure to approve and file their estimated resources and appropriations did not allow District officials to monitor budgetary position and could result in overspending and negative fund balances.

**FINDING NUMBER 2015-002
(Continued)**

We recommend the District file the appropriate budgetary documentation with the county auditor and Budget Commission as required by Ohio Law. We also recommend that the District monitor during the year actual receipts and expenditures against budgeted amounts.

Officials' Response:

The Officials did not respond to this finding.

FINDING NUMBER 2015-003

Noncompliance Citation

26 U.S.C. Sections 3401 through 3406 & Section 3102(a), require employers to withhold federal income taxes and employment related taxes (such as Medicare) from employees' earnings and to remit the withholdings to the U.S. Treasury in a timely manner.

During the audit period the District withheld federal income taxes and related taxes from the employees' earnings, but failed to remit a total of \$11,995 for 2015 and \$12,792 for 2014.

This situation was also described in prior audit reports., The District failed to remit a total of \$8,913 for 2013, \$5,831 for 2012 (updated amount), \$5,867 for 2011, \$2,411 for 2010 and a total of \$1,917 for 2009.

Failure to promptly remit payments could result in unnecessary payments and penalties and interest.

Ohio Revised Code, Sections 5747.06(A) & 5747.07, provide, in part, that every employer, including the state and its political subdivisions, maintaining an office or transacting business within the state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax from employees' earnings and to remit the withholdings to the Ohio Department of Taxation in a timely manner.

During the audit period the District withheld state income taxes and school district taxes from the employees' earnings, but failed to remit a total of \$2,134 for 2015 and \$2,005 for 2014.

This situation was also described in prior audit reports. The District failed to remit a total of \$1,510 for 2013, \$1,207 for 2012 (updated amount), \$1,158 for 2011, \$657 for 2010 and a total of \$692 for 2009, to the Ohio Department of Taxation.

Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

Ohio Revised Code, Section 718.03(A)(2), provide, in addition to withholding the amounts required under division (A)(1) of this section, an employer, agent of an employer, or other payer may also deduct and withhold, on the request of an employee, taxes for the municipal corporation in which the employee is a resident.

During the audit period the District withheld municipal income taxes from the employees' earnings, but failed to remit a total of \$110 for 2015 and \$110 for 2014.

**FINDING NUMBER 2015-003
(Continued)**

The District also failed to remit a total of \$105 for 2013, \$95 for 2012, \$95 for 2011, \$90 for 2010 and a total of \$84 for 2009, to the City of Wilmington. Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

26 U.S.C. Section 1.6041-1 requires the reporting of income aggregating \$600 or more to contractors on a form 1099. The District did not properly issue form 1099s to all volunteer EMS/Firefighters for payments in excess of \$600.

The District is currently working with the Internal Revenue Service to determine the penalty and interest amounts associated with the past due withholdings.

We recommend that the District monitor payment deadlines and make payments to the Internal Revenue Service, Ohio Department of Taxation and the City of Wilmington by the due date. We also recommend that the District issue form 1099s as required by United States Code. The Auditor of State will refer this matter to the appropriate agencies.

Officials' Response:

The Officials did not respond to this finding.

FINDING NUMBER 2015-004

Noncompliance/Finding For Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio law requires employers to withhold state income taxes and school district income taxes from employees' wages and transmit the funds to the State. See Ohio Rev. Code §§ 5747.06 and 5747.07. Under Ohio Rev. Code § 5747.07 E(2), each employer required to withhold any tax is liable for the payment of the amount required to be withheld and the amount shall be deemed to be a special fund in trust for the general revenue fund. The same rule applies with respect to municipal income taxes in Ohio. See Ohio Rev. Code § 718.03.

Sidney Clay was appointed fiscal officer for Clinton Highland Joint Fire District. As fiscal officer, Sidney Clay was the official responsible for withholding and remitting the required income tax contributions from Clinton Highland Joint Fire District employee earnings. During the 2009-2015 calendar years, Sidney Clay withheld, as required, state income tax, school district income tax and municipal income tax contributions from the earnings of each district employee. However, Sidney Clay failed to transmit any of those funds to the appropriate entity, agency, system or fund. As a result, Clinton Highland Joint Fire District has incurred penalties and interest charges from the state and local agencies. Specifically, the total amount of penalties and interest assessed by the state to Clinton Highland Joint Fire District is \$5,514. The City of Wilmington has assessed interest and penalties to the Clinton Highland Joint Fire District from 2009-2015 in the amount of \$1,841. The interest and penalties assessed against the District serve no proper public purpose for the District and could have been avoided had the funds been remitted as required by law.

**FINDING NUMBER 2015-004
(Continued)**

In accordance with the foregoing facts and authorities, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for failure to remit withheld income tax contributions resulting in late fees, interest and penalties assessed against the District is hereby issued against Sidney Clay, former District Fiscal Officer, in the amount of \$7,355 and in favor of the District's General Fund.

On August 26, 2016, Sidney Clay paid \$5,514.03 to the Ohio Department of Taxation to pay the interest and penalties assessed by the State of Ohio.

On March 10, 2017, the City of Wilmington waived all penalties and interest in the amount of \$1,841, for years 2009 through 2015 for late payment of withholdings.

Officials' Response:

The Officials did not respond to this finding.

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**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013-2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness – Incorrect postings, misclassifications, not properly encumbered resulting in adjustments and reclassifications.	No	Reissued as Finding 2015-001
2013-002	Noncompliance – Not remitting payroll withholdings for federal, state and local taxes since 2006.	No	Reissued as Finding 2015-003
2013-003	Noncompliance – Appropriations not filed with the County, Expenditures exceeding appropriations.	No	Reissued as Finding 2015-002

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Dave Yost • Auditor of State

CLINTON HIGHLAND JOINT FIRE DISTRICT

CLINTON 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 4, 2017