



Dave Yost • Auditor of State

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

SRWW #2 Joint Fire District
Clinton County
179 S. Jackson Street
Sabina, 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 SRWW #2 Joint Fire District, Clinton County, Ohio, (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 SRWW #2 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 1, 2016

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$115,843	\$0	\$0	\$115,843
Charges for Services	10,500	129,093	0	139,593
Intergovernmental	45,124	32,934	0	78,058
Earnings on Investments	365	103	9	477
Miscellaneous	2,612	4,884	0	7,496
	<u>174,444</u>	<u>167,014</u>	<u>9</u>	<u>341,467</u>
<i>Total Cash Receipts</i>				
Cash Disbursements:				
Current Disbursements:				
Security of Persons and Property:				
Administration	35,305	0	0	35,305
Building & Grounds	8,028	0	0	8,028
Contracts	892	8,984	0	9,876
Fire Protection	37,849	0	0	37,849
EMS Service	0	112,496	0	112,496
Other	3,882	1,643	0	5,525
Capital Outlay	0	0	200,000	200,000
Debt Service:				
Principal Retirement	0	0	58,325	58,325
Interest and Fiscal Charges	0	0	4,250	4,250
	<u>85,956</u>	<u>123,123</u>	<u>262,575</u>	<u>471,654</u>
<i>Total Cash Disbursements</i>				
<i>Excess Receipts Over (Under) Disbursements</i>	<u>88,488</u>	<u>43,891</u>	<u>(262,566)</u>	<u>(130,187)</u>
Other Financing Receipts (Disbursements):				
Proceeds of Debt	0	0	200,000	200,000
Transfers In	0	0	94,575	94,575
Transfers Out	(94,575)	0	0	(94,575)
	<u>(94,575)</u>	<u>0</u>	<u>294,575</u>	<u>200,000</u>
<i>Total Other Financing Receipts (Disbursements)</i>				
<i>Net Change in Fund Cash Balance</i>	<u>(6,087)</u>	<u>43,891</u>	<u>32,009</u>	<u>69,813</u>
<i>Fund Cash Balances, January 1</i>	<u>233,882</u>	<u>155,256</u>	<u>0</u>	<u>389,138</u>
Fund Cash Balances, December 31				
Restricted		199,147		199,147
Assigned	575		32,009	32,584
Unassigned (Deficit)	227,220			227,220
	<u>227,795</u>	<u>199,147</u>	<u>\$32,009</u>	<u>458,951</u>
<i>Fund Cash Balances, December 31</i>				

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

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$115,593	\$0	\$0	\$115,593
Charges for Services	7,000	95,509	0	102,509
Intergovernmental	49,462	6,250	0	55,712
Earnings on Investments	355	532	0	887
Miscellaneous	3,282	7,846	0	11,128
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Cash Receipts</i>	175,692	110,137	0	285,829
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current Disbursements:				
Security of Persons and Property:				
Administration	36,279	0	0	36,279
Building & Grounds	10,039	0	0	10,039
Contracts	930	8,723	0	9,653
Fire Protection	39,536	0	0	39,536
EMS Service	0	116,481	0	116,481
Other	2,827	9,617	0	12,444
Capital Outlay	100,000	60,000	275,000	435,000
Debt Service:				
Principal Retirement	15,278	0	0	15,278
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	204,889	194,821	275,000	674,710
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Excess Receipts Over (Under) Disbursements</i>	(29,197)	(84,684)	(275,000)	(388,881)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts (Disbursements):				
Proceeds of Debt	0	0	275,000	275,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Receipts (Disbursements)</i>	0	0	275,000	275,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net Change in Fund Cash Balance</i>	(29,197)	(84,684)	0	(113,881)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, January 1</i>	263,079	239,940	0	503,019
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31				
Restricted		155,256		155,256
Assigned	3,510			3,510
Unassigned (Deficit)	230,372			230,372
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$233,882</u>	<u>\$155,256</u>	<u>\$0</u>	<u>\$389,138</u>

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

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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 SRWW #2 Joint Fire District, Clinton County, The District as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Sabina, Richland Township, Wayne Township and Wilson Township. 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 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.

C. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values U.S. Treasury Notes and common stock at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 Funds:

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ambulance and Emergency Medical Services Fund – This fund receives receipts from the billing of emergency runs. The District bills for emergency runs.

Fire Trust Fund and Emergency Management Trust Fund - This fund is used to account for all balances of the trust funds that were maintained by the Village of Sabina, but given to the District upon their establishment in 1996. These funds are used to account for all gifts and/or donations received by the District.

3. Debt Service Fund

This fund accounts 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:

Debt Service Truck Fund – This fund is used for the payments of the 2014 Rosenbauer 78' Viper Aerial Fire Truck.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

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 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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.

3. 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.

4. 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.

5. 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.

G. 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.

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

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:

	2015	2014
Demand deposits	\$259,065	\$189,397
Other time deposits (savings accounts)	193,057	192,831
Total deposits	452,122	382,228
Investment - Common Stock	6,829	6,910
Total deposits and investments	\$458,951	\$389,138

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

Investments: The District was bequeathed stocks and mutual funds. Edward Jones Investments 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 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,000	\$174,444	\$67,444
Special Revenue	110,000	167,014	57,014
Debt Service	62,556	294,584	232,028
Total	\$279,556	\$636,042	\$356,486

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$337,371	\$180,531	\$156,840
Special Revenue	260,710	123,123	137,587
Debt Service	0	262,575	(262,575)
Total	\$598,081	\$566,229	\$31,852

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,000	\$175,692	\$68,692
Special Revenue	110,000	110,137	137
Debt Service	475,000	275,000	(200,000)
Total	<u>\$692,000</u>	<u>\$560,829</u>	<u>(\$131,171)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,226	\$204,889	\$87,337
Special Revenue	325,997	194,821	131,176
Debt Service	475,000	275,000	200,000
Total	<u>\$1,093,223</u>	<u>\$674,710</u>	<u>\$418,513</u>

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.

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Lease Agreement	\$172,231	3.215%
Department of Commerce - Loan	229,169	0%
Total	<u>\$401,400</u>	

The District entered into a Master Lease Purchase Agreement for the purchase of a fire truck in the amount of \$200,000 in 2014. The District is required to make lease payments in the amount of \$32,019 each year for the seven year lease term.

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

5. DEBT (Continued)

In 2014 the Fire District also received a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund, to assistance in the above purchase of the Fire Truck, in the amount of \$275,000. The loan agreement is with the Department of Commerce, Division of the State Fire Marshall. The District was required to contribute an amount equal to at least five percent of the loan amount. The State of Ohio Department of Commerce, Division of State Fire Marshall will be listed as the lien holder on the vehicle title until such time as the loan obligation is satisfied.

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

Year ending December 31:	Lease Agreement	Department of Commerce Loan
2016	\$32,020	\$30,556
2017	\$32,020	30,556
2018	\$32,020	30,556
2019	\$32,020	30,556
2020	\$32,020	30,556
2021-2023	\$32,020	76,389
Total	\$192,120	\$229,169

6. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – the Fire District’s Fiscal Officer participates 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’s Fiscal Officer) 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):

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

**6. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
(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 and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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 and Service Requirements:	Age and Service Requirements:
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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 and Service Requirements:	Age and Service Requirements:
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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:	Formula:	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	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	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:

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014
(Continued)**

**6. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
(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 \$1,400 for year 2015.

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.

The District is uninsured for the following risks:

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



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

SRWW #2 Joint Fire District
Clinton County
179 S. Jackson Street
Sabina, 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 SRWW #2 Joint Fire District, Clinton County (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 September 1, 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

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings item 2015-002.

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.

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

September 1, 2016

**SRWW #2 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 transactions were posted accurately and fund balances were accurately classified. We identified the following errors:

2015					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General	Taxes	\$41,153	General	Intergovernmental	\$41,153
Debt Service	Contracts	\$200,000	Debt Service	Loan Proceeds	\$200,000
Debt Service	Fire Protection	\$200,000	Debt Service	Capital Outlay	\$200,000
Debt Service	Fire Protection	\$58,325	Debt Service	Principal Payment	\$58,325
Debt Service	Fire Protection	\$4,250	Debt Service	Interest Payment	\$4,250
Debt Service	Contracts	\$94,575	Debt Service	Transfer In	\$94,575
General	Fund Balance - Restricted	\$575	General	Fund Balance -Assigned	\$575
General	Fund Balance- Restricted	\$3,396	General	Fund Balance - Unassigned	\$3,396
Fire Trust	Fund Balance - Nonspendable	\$3,415	Fire Trust	Fund Balance - Restricted	\$3,415
EMS Trust	Fund Balance - Nonspendable	\$3,415	EMS Trust	Fund Balance - Restricted	\$3,415

2014					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General	Taxes	\$44,062	General	Intergovernmental	\$44,062
A&EMS	Gifts & Donations	\$ 6,250	A&EMS	Intergovernmental	\$6,250
Debt Service	Fire Protection	\$275,000	Debt Service	Capital Outlay	\$275,000
Debt Service	Contracts	\$275,000	Debt Service	Loan Proceeds	\$275,000
A&EMS Fund	EMS Service	\$60,000	A&EMS Fund	Capital Outlay	\$60,000
General	Fire Protection	\$100,000	General	Capital Outlay	\$100,000
General	Fire Protection	\$15,278	General	Principal Payment	\$15,278
General	Fund Balance - Restricted	\$3,510	General	Fund Balance -Assigned	\$3,510
General	Fund Balance - Restricted	\$1,890	General	Fund Balance - Unassigned	\$1,890
EMS Trust	Fund Balance - Nonspendable	\$2,783	EMS Trust	Fund Balance - Restricted	\$2,783
Fire Trust	Fund Balance - Nonspendable	\$2,783	Fire Trust	Fund Balance - Restricted	\$2,783

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

Audit reclassifications were made to the District's financial statements to correct the above errors.

Failure to accurately post and report transactions could result in material errors in the District's financial statements and reduces the District's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the District.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated. The District did not properly appropriate the 2015 Debt Service Fund expenditures and as a result expenditures exceeded appropriations as follows:

Fund	2015 Appropriation Authority	2015 Expenditures	Variance
Debt Service	\$0	\$ 262,575	(\$262,575)

Expenditures in excess of appropriations and failure to monitor and budget for expenditures could cause the over expenditure of funds and could result in negative fund balance.

We recommend that the District monitor during the year expenditures against budgeted amounts and approve amended appropriations as needed.

Officials' Response:

We did not receive a response from officials to the finding above.

**SRWW #2 JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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>Explain</i>
2013-001	Audit adjustments and reclassifications were made to the District's financial statements and accounting records to correct posting errors.	No	Reissued as Finding 2015-001
2013-002	The District failed to reconcile EMS receipts, and EMS runs to accounting ledgers.	Partially Corrected	This was not corrected in 2014, but was partially corrected in 2015. Reissued in the Management Letter.

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Dave Yost • Auditor of State

SRWW #2 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
SEPTEMBER 20, 2016**