

Southwest Pickaway Fire District
Pickaway County
Regular Audit
For the Years Ended December 31, 2013 and 2012



Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.milhuffstangcpa.com ■ Email: natalie@milhuffstangcpa.com



Dave Yost • Auditor of State

Board of Trustees
Southwest Pickaway Fire District
PO Box 363
Williamsport, Ohio 43164

We have reviewed the *Independent Auditor's Report* of the Southwest Pickaway Fire District, Pickaway County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 to December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Southwest Pickaway Fire 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

May 20, 2014

This page intentionally left blank.

Southwest Pickaway Fire District
Pickaway County
Table of Contents
For the Years Ended December 31, 2013 and 2012

Title	Page
Independent Auditor's Report.....	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5 – 9
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10 – 11
Schedule of Findings and Responses	12
Schedule of Prior Audit Findings.....	13

Independent Auditor's Report

Fire District Board
Southwest Pickaway Fire District
P.O. Box 363
Williamsport, Ohio 43164

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Southwest Pickaway Fire District, Pickaway County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, 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
President/Owner
Millhuff-Stang, CPA, Inc.

April 8, 2014

Southwest Pickaway Fire District
Pickaway County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	General Fund	Special Revenue Fund	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$74,162	\$0	\$74,162
Charges for Services	33,167	0	33,167
Intergovernmental	14,309	5,458	19,767
Earnings on Investments	323	0	323
Miscellaneous	6,074	0	6,074
Total Cash Receipts	128,035	5,458	133,493
Cash Disbursements:			
Current Disbursements:			
Public Safety	54,461	5,458	59,919
Capital Outlay	10,824	0	10,824
Total Cash Disbursements	65,285	5,458	70,743
Excess of Cash Receipts Over Cash Disbursements	62,750	0	62,750
Other Financing Receipts (Disbursements):			
Advances In	5,800	5,800	11,600
Advances Out	(5,800)	(5,800)	(11,600)
Total Other Financing Receipts (Disbursements)	0	0	0
Net Change in Fund Cash Balance	62,750	0	62,750
Fund Cash Balance, January 1	261,239	0	261,239
Fund Cash Balance, December 31:			
Unassigned	323,989	0	323,989
Fund Cash Balance, December 31	\$323,989	\$0	\$323,989

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

Southwest Pickaway Fire District
Pickaway County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	General Fund	Special Revenue Fund	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$73,843	\$0	\$73,843
Charges for Services	33,402	0	33,402
Intergovernmental	9,742	3,800	13,542
Earnings on Investments	263	0	263
Miscellaneous	2,090	0	2,090
Total Cash Receipts	119,340	3,800	123,140
Cash Disbursements:			
Current Disbursements:			
Public Safety	52,789	3,800	56,589
Capital Outlay	4,009	0	4,009
Total Cash Disbursements	56,798	3,800	60,598
Excess of Cash Receipts Over Cash Disbursements	62,542	0	62,542
Other Financing Receipts (Disbursements):			
Advances In	3,800	3,800	7,600
Advances Out	(3,800)	(3,800)	(7,600)
Total Other Financing Receipts (Disbursements)	0	0	0
Net Change in Fund Cash Balance	62,542	0	62,542
Fund Cash Balance, January 1	198,697	0	198,697
Fund Cash Balance, December 31:			
Unassigned	261,239	0	261,239
Fund Cash Balance, December 31	\$261,239	\$0	\$261,239

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

Southwest Pickaway Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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 Southwest Pickaway Fire District, Pickaway County, (the District) as a body corporate and politic. A three-member Fire District Board governs the District. This Board is comprised of one representative from the Village of Williamsport, one representative of the Board of Trustees of Deercreek Township, and one at-large resident from either the Village of Williamsport or Deercreek 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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Cash

The District maintains its cash pool in interest-bearing checking accounts with a local commercial bank.

Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

General Fund – The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – Special Revenue Funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Miscellaneous Special Revenue Fund – This fund receives proceeds from a CDBG grant passed through Pickaway County.

Southwest Pickaway Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Fire District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 cancelled and re-appropriated in the subsequent year.

A summary of the 2013 and 2012 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.

Committed – The Fire District Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Fire District Board 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 Fire District Board 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.

Southwest Pickaway Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Property, Plant, and Equipment

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

Note 2 – Equity in Pooled Cash

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

	2013	2012
Demand Deposits	\$323,989	\$261,239

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

Note 3 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,402	\$128,035	\$14,633
Special Revenue	\$5,800	5,458	(342)
Total	\$119,202	\$133,493	\$14,291

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,300	\$65,285	\$52,015
Special Revenue	5,800	5,458	342
Total	\$123,100	\$70,743	\$52,357

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,917	\$119,340	\$9,423
Special Revenue	3,800	3,800	0
Total	\$113,717	\$123,140	\$9,423

Southwest Pickaway Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity (Continued)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,276	\$56,798	\$39,478
Special Revenue	3,800	3,800	0
Total	<u>\$100,076</u>	<u>\$60,598</u>	<u>\$39,478</u>

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Fire District Board 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.

Note 5 – Retirement System

The District's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

Note 6 – Risk Management

The District has obtained commercial insurance for the following risks:

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

There has been no significant reduction in coverage and claims have not exceeded coverage in either year.

Note 7 – 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.

Southwest Pickaway Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 8 – Compliance

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

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*

Independent Auditor's Report

Fire District Board
Southwest Pickaway Fire District
P.O. Box 363
Williamsport, Ohio 43164

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 Southwest Pickaway Fire District, Pickaway County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2014, wherein we noted the District followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

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

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-2.

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 District'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
President/Owner
Millhuff-Stang, CPA, Inc.

April 8, 2014

Southwest Pickaway Fire District
Pickaway County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2013-1

Material Weakness – Financial Reporting

A monitoring system by the District should be in place to prevent or detect misstatements for the accurate presentation of the District's financial statements. During 2012 and 2013, the District improperly classified various receipts, disbursements, and other financing receipts and disbursements. Reclassification entries were required to properly present the activity of the District. The District should implement additional monitoring procedures to ensure transactions are properly recorded.

District Response:

The Board approves line item transfers. This will be addressed with the Board.

Finding Number 2013-2

Noncompliance Citation – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Several of the disbursements tested in 2012 and one tested in 2013 had invoice dates preceding the encumbrance date. The District should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

District Response:

The District started using blanket certificates in 2013 which have significantly addressed this problem.

Southwest Pickaway Fire District
Pickaway County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-001	Material Weakness – Financial Reporting	No	Reissued as 2013-1
Finding 2011-002	Noncompliance – ORC 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as 2013-2



Dave Yost • Auditor of State

SOUTHWEST PICKAWAY FIRE DISTRICT

PICKAWAY 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
JUNE 3, 2014**