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PERRY & Associates

Certified Public Accountants, A.C.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 30, 2015

Tri-County Joint Fire District
Madison County
P.O. Box 235
Mount Sterling, OH 43143

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Tri-County Joint Fire District**, Madison County, (the District) as of and for the years ended December 31, 2014 and 2013.

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.



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

As described in Note 1B 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, 2014 and 2013, 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 Tri-County Joint Fire District, Madison County as of December 31, 2014 and 2013, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash Receipts		
Property and Other Local Taxes	\$ 379,238	\$ 383,571
Intergovernmental	63,718	64,037
Charges for Services	154,754	175,549
Earnings on Investments	90	112
Miscellaneous	<u>13,413</u>	<u>10,084</u>
<i>Total Cash Receipts</i>	<u>611,213</u>	<u>633,353</u>
Cash Disbursements		
Current:		
Salaries and Benefits	167,646	161,783
Retirement	59,865	63,347
BWC	7,137	7,414
Equipment	-	312
Utilities	11,405	7,715
Tools and Equipment	241,484	277,586
Supplies	9,990	9,585
Repairs	21,739	26,120
Contracts	19,045	19,640
Insurance	30,246	36,538
Other	<u>60,468</u>	<u>37,853</u>
<i>Total Cash Disbursements</i>	<u>629,025</u>	<u>647,893</u>
Excess of Receipts (Under) Disbursements	<u>(17,812)</u>	<u>(14,540)</u>
<i>Net Change in Fund Cash Balances</i>	(17,812)	(14,540)
<i>Fund Cash Balances, January 1</i>	<u>350,317</u>	<u>364,857</u>
Fund Cash Balances, December 31		
Unassigned	<u>332,505</u>	<u>350,317</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 332,505</u></u>	<u><u>\$ 350,317</u></u>

The accompanying notes are an integral part of the Financial Statements.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 Tri County Joint Fire District, Madison County, Ohio, (the District) as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Mount Sterling and Pleasant District, Madison County; Darby District and Monroe District, Pickaway County; and Madison District, Fayette County.

The District became its own taxing authority by vote of the people as of January, 2003. Pleasant District, the Village of Mt. Sterling and Darby District are the three participating members affected by the tax levy. The District also receives tax monies from both Madison and Pickaway Counties. Pickaway County sends the District's tax monies to the Madison County Auditor for disbursement. Madison and Monroe Districts provide funding to meet the District's operating costs under the agreement which established the District. 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 included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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

The District Fiscal Officer invests all available funds of the District in interest-bearing checking accounts or savings accounts.

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.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 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.

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.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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* amount 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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$332,505</u>	<u>\$350,317</u>
Total deposits	<u><u>\$332,505</u></u>	<u><u>\$350,317</u></u>

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

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$620,776	\$611,213	\$(9,563)
Total	\$620,776	\$611,213	\$(9,563)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$785,000	\$629,025	\$155,975
Total	\$785,000	\$629,025	\$155,975

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$627,295	\$633,353	\$6,058
Total	\$627,295	\$633,353	\$6,058

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$850,009	\$647,893	\$202,116
Total	\$850,009	\$647,893	\$202,116

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.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

5. RETIREMENT SYSTEMS

The District's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-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. Until June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 to December 31, OP&F participants contributed 11.50% of their wages. For 2014 and 2013, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2014 and 2013, 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, 2014.

6. 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 also provides health insurance coverage to full-time employees through a private carrier. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

8. RELATED PARTY

The Tri County Fire Fighters Association, Inc. (the "Association") is considered a related party of the District. The Association is considered a related party as it would be misleading not to disclose the relationship between the District and the Association. The District's Fire Chief is also the Treasurer of the Tri County Fire Fighters Association, Inc. He manages three outside accounts consisting of a savings account, general checking account and a fire run account. The fire run account consists of receipts from the District for volunteer fire pay. The District records this as contract services expenditures. The Association pays the volunteers for the fire runs which were participated in during the year. The other accounts consist of revenues from various fund raisers held by the Fire Fighters employed by the District.

9. CAPITAL LEASE

The District entered into a capital lease for a Pump Truck in 2012. The lease was paid in full as of December 31, 2014.



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

June 30, 2015

Tri-County Joint Fire District
Madison County
P.O. Box 235
Mount Sterling, OH 43143

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 **Tri-County Joint Fire District**, Madison County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 30, 2015 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Entity'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 Entity'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 Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.



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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Entity's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Entity's responses and, accordingly, we express no opinion on them.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**TRI-COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Significant Deficiency

Fire Fighters Association

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data monitored may indirectly provide assurance as to the reliability of financial information and if it conforms to the users' expectations.

The District remits checks monthly to the Tri County Joint Fire Fighters Association Inc., (the Association) of which the Fire Chief is the Treasurer. The Fire Chief invoices the District monthly for fire runs performed by the volunteers of the Association. A separate account is maintained by the Association and the volunteer fire fighters are paid for their fire runs from this account.

The District receives invoices and run reports to support payments made to the Association. However, there are no monitoring controls in place by the District to ensure transactions being made on its behalf by the Association are being paid correctly (fire run compensation) and are for a proper public purpose.

We recommend the District pay the volunteer fire fighters directly, which would ensure proper payment to the volunteers for services rendered or obtain copies of checks paid for comparison to the monthly invoice.

Management's Response – The District would like to continue writing one check to the Association and then allow the Chief to disburse the fire pay as the volunteers ask for it throughout the year.