



Certified Public Accountants, A.C.

**SRWW JOINT FIRE DISTRICT #2
CLINTON COUNTY
REGULAR AUDIT
For the Years Ended December 31, 2017 and 2016**

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Marietta, OH 45750
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Vienna, WV 26105
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Dave Yost • Auditor of State

Board of Trustees
SRWW #2 Joint Fire District
179 South Jackson
Sabina, OH 45169

We have reviewed the *Independent Auditor's Report* of the SRWW #2 Joint Fire District, Clinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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 SRWW #2 Joint 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

September 11, 2018

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

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INDEPENDENT AUDITOR'S REPORT

June 19, 2018

SRWW Joint Fire District #2
Clinton County
179 S. Jackson
Sabina, OH 45169

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 Joint Fire District #2**, Clinton County, (the District) as of and for the years ended December 31, 2017 and 2016.

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.

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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, are presumed to be 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 permitted 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, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and the related notes of SRWW Joint Fire District #2, Clinton County as of December 31, 2017 and 2016, 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 June 19, 2018, 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

**SRWW #2 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, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 115,252	\$ -	\$ -	\$ 115,252
Charges for Services	10,500	109,400	-	119,900
Intergovernmental	61,796	-	-	61,796
Earnings on Investments	376	164	-	540
Miscellaneous	410	12,739	-	13,149
<i>Total Cash Receipts</i>	<u>188,334</u>	<u>122,303</u>	<u>-</u>	<u>310,637</u>
Cash Disbursements				
Current Disbursements:				
Administration	34,214	-	-	34,214
Building & Grounds	7,673	-	-	7,673
Contracts	997	7,728	-	8,725
Fire Protection	76,835	-	-	76,835
EMS Service	-	135,659	-	135,659
Other	3,759	5,736	-	9,495
Debt Service:				
Principal Retirement	43,299	-	14,591	57,890
Interest and Fiscal Charges	3,261	-	1,423	4,684
<i>Total Cash Disbursements</i>	<u>170,038</u>	<u>149,123</u>	<u>16,014</u>	<u>335,175</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	18,296	(26,820)	(16,014)	(24,538)
Other Financing Receipts (Disbursements)				
Transfers In	-	-	16,000	16,000
Transfers Out	(16,000)	-	-	(16,000)
Total Other Financing Receipts (Disbursements)	<u>(16,000)</u>	<u>-</u>	<u>16,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	2,296	(26,820)	(14)	(24,538)
<i>Fund Cash Balances, January 1</i>	<u>234,784</u>	<u>195,047</u>	<u>14</u>	<u>429,845</u>
Fund Cash Balances, December 31				
Restricted	-	168,227	-	168,227
Assigned	226,792	-	-	226,792
Unassigned	10,288	-	-	10,288
<i>Fund Cash Balances, December 31</i>	<u>\$ 237,080</u>	<u>\$ 168,227</u>	<u>\$ -</u>	<u>405,307</u>

Notes to the Financial Statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of SRWW Joint Fire District #2. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. The subdivisions are: 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.

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 deb service or capital projects. The District had the following significant Special Revenue Funds:

Ambulance and Emergency Medical Services- This fund receives receipts from the billing of emergency runs. The District accepts soft billing for emergency runs.

Fire and EMS Trust Funds- 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.

Debt Service Fund- This account was set up for the purchase of a 2014 Rosenbauer 78' Ladder Truck. Although no bonds, etc. were used the County Auditor's Office required us to set up the fund. The money was transferred from the General Fund.

BASIS OF ACCOUNTING

The financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-3 (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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the year end.

2. 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.

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 2017 budgetary activity appears in Note 5.

FUND BALANCE

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), granters, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

3. Committed

Trustees can commit amounts via forman action (resolution). The District must adhere to these commitments unless the 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.

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 amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCE (Continued)

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.

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.

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 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District maintains a deposit and investments pool for 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:

		2017
Demand deposits	\$	397,052
Total deposits		397,052
Common stock (at cost, fair value was \$3,368 at December 31, 2017)		8,255
Total investments		8,255
Total deposits and investments	\$	405,307

DEPOSITS: Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

INVESTMENTS: The District was bequeathed stocks and mutual funds. Edward Jones Investments holds the District's equity securities in book-entry form by, in the name of the District's financial institution. The Financial institution maintains records identifying the District as owner of these securities.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE 4 - COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Truck Debt Service Fund by \$16,014 for the year ended December 31, 2016.

NOTE 5 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 114,000	\$ 188,334	\$ 74,334
Special Revenue	125,000	122,303	(2,697)
Debt Service	-	16,000	16,000
Total	\$ 239,000	\$ 326,637	\$ 87,637

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 276,838	\$ 186,038	\$ 90,800
Special Revenue	326,433	149,123	177,310
Debt Service	-	16,014	(16,014)
Total	\$ 603,271	\$ 351,175	\$ 252,096

NOTE 6 - 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 property taxes on behalf of the District.

NOTE 7 - DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Lease Agreement	\$ 117,128	3.215%
Dept. of Commerce Loan	168,057	0%
Total	\$ 285,185	

The District entered into a Master Lease Purchase Agreement for the purchase of a fire ladder truck in the amount of \$200,000 in 2014. The District is required to make lease payments in the amount of \$32,020 each year for the seven year lease term.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE 7 - DEBT (Continued)

At that time in 2014 the Fire District also received a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund, to assist in the above purchase of the ladder truck in the amount of \$275,000. The loan agreement is with the Department of Commerce, Division of the State Fire Marshal. 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 Marshal 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:	Fire Truck Lease	Dept. of Commerce Loan
2018	\$ 32,020	\$ 30,556
2019	32,020	30,556
2020	32,020	30,556
2021	32,020	30,556
2022	32,020	30,556
2023	-	15,277
Total	\$ 160,100	\$ 168,057

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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-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 disclosures focuses on the traditional pension plan.

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, 2017.

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 they be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

SOCIAL SECURITY

District's employees with the exception of the fiscal officer contribute to Social Security. Employee contributed 6.2 percent of the gross salaries. The District contributed an amount equal to 6.2 percent of participant's salaries. The District has paid all contributions required through December 2017.

NOTE 9 – RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

NOTE 10 – POSTEMPLOYMENT BENEFITS

OPERS offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**SRWW #2 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, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	113,555	-	-	113,555
Charges for Services	-	118,297	-	118,297
Intergovernmental	46,518	-	-	46,518
Earnings on Investments	398	150	16	564
Miscellaneous	974	7,410	-	8,384
	-	-	-	-
<i>Total Cash Receipts</i>	<u>161,445</u>	<u>125,857</u>	<u>16</u>	<u>287,318</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property Administration	44,633	-	-	44,633
Building & Grounds	8,136	-	-	8,136
Contracts	938	6,536	-	7,474
Fire Protection	67,734	-	-	67,734
EMS Service	-	120,681	-	120,681
Other	2,451	2,740	-	5,191
Debt Service:				
Principal Retirement	-	-	58,325	58,325
Interest and Fiscal Charges	-	-	4,250	4,250
	-	-	-	-
<i>Total Cash Disbursements</i>	<u>123,892</u>	<u>129,957</u>	<u>62,575</u>	<u>316,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	37,553	(4,100)	(62,559)	(29,106)
Other Financing Receipts (Disbursements)				
Transfers In	-	-	30,564	30,564
Transfers Out	(30,564)	-	-	(30,564)
	-	-	-	-
Total Other Financing Receipts (Disbursements)	<u>(30,564)</u>	<u>-</u>	<u>30,564</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	6,989	(4,100)	(31,995)	(29,106)
<i>Fund Cash Balances, January 1</i>	<u>227,795</u>	<u>199,147</u>	<u>32,009</u>	<u>458,951</u>
Fund Cash Balances, December 31				
Restricted	-	195,047	-	195,047
Assigned	164,338	-	14	164,352
Unassigned	70,446	-	-	70,446
	-	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 234,784</u>	<u>\$ 195,047</u>	<u>\$ 14</u>	<u>429,845</u>

Notes to the Financial Statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of SRWW Joint Fire District #2. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. The subdivisions are: 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.

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

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Ambulance and Emergency Medical Services- This fund receives receipts from the billing of emergency runs. The District accepts soft billing for emergency runs.

Fire and EMS Trust Funds- 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.

Debt Service Fund- This account was set up for the purchase of a 2014 Rosenbauer 78' Ladder Truck. Although no bonds, etc. were used the County Auditor's Office required us to set up the fund. The money was transferred from the General Fund.

BASIS OF ACCOUNTING

The financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-3 (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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the year end.

2. 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.

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 2016 budgetary activity follows appears in note 5.

FUND BALANCE

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), granters, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

3. Committed

Trustees can commit amounts via forman action (resolution). The District must adhere to these commitments unless the 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.

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 amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCE (Continued)

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.

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.

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 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District maintains a deposit and investments pool for 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:

	2016
Demand deposits	\$ 229,254
Other time deposits (savings)	193,289
Total deposits	422,543
Common stock (at cost, fair value was \$3,368 at December 31, 2016)	7,302
Total investments	7,302
Total deposits and investments	\$ 429,845

DEPOSITS: Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

INVESTMENTS: The District was bequeathed stocks and mutual funds. Edward Jones Investments holds the District's equity securities in book-entry form by, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

NOTE 4 - COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Truck Debt Service fund by \$30,566 for the year ended December 31, 2016.

NOTE 5 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 110,500	\$ 161,445	\$ 50,945
Special Revenue	110,000	125,857	15,857
Debt Service	-	30,580	30,580
Total	\$ 220,500	\$ 317,882	\$ 97,382

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 337,720	\$ 154,456	\$ 183,264
Special Revenue	306,930	129,957	176,973
Debt Service	32,009	62,575	(30,566)
Total	\$ 676,659	\$ 346,988	\$ 329,671

NOTE 6 - 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 property taxes on behalf of the District.

NOTE 7 - DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Lease Agreement	\$ 144,462	3.215%
Dept. of Commerce Loan	198,613	0%
Total	\$ 343,075	

The District entered into a Master Lease Purchase Agreement for the purchase of a fire ladder truck in the amount of \$200,000 in 2014. The District is required to make lease payments in the amount of \$32,020 each year for the seven year lease term.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

NOTE 7- DEBT (Continued)

At that time in 2014 the Fire District also received a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund, to assist in the above purchase of the ladder truck in the amount of \$275,000. The loan agreement is with the Department of Commerce, Division of the State Fire Marshal. 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 Marshal 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:	Fire Truck Lease	Dept. of Commerce Loan
2017	\$ 32,020	\$ 30,556
2018	32,020	30,556
2019	32,020	30,556
2020	32,020	30,556
2021	32,020	30,556
2022-2026	32,020	45,833
Total	\$ 192,120	\$ 198,613

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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-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 disclosures focuses on the traditional pension plan.

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, 2016.

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 they be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

SOCIAL SECURITY

District's employees with the exception of the fiscal officer contribute to Social Security. Employee contributed 6.2 percent of the gross salaries. The District contributed an amount equal to 6.2 percent of participant's salaries. The District has paid all contributions required through December 2016.

NOTE 9 – RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

NOTE 10 – POSTEMPLOYMENT BENEFITS

OPERS offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.



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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 19, 2018

SRWW Joint Fire District #2
Clinton County
179 S. Jackson
Sabina, OH 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 **SRWW Joint Fire District #2**, Clinton County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 19, 2018, 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 weakness or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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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 an instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2017-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 19, 2018.

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

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

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

Posting Receipts and Disbursements and Fund Balance Classifications

The District should have procedures and controls in place to help prevent and detect errors in financial reporting.

During 2017 and 2016, several receipts, disbursements, and fund balance classifications were not posted into accurate classifications based on the source of the receipt, disbursement, or fund balance. The following posting errors were noted:

- Commercial Activity Tax receipts were incorrectly recorded as Personal Property Tangible Tax Receipts instead of Intergovernmental receipts
- Rollback receipts were incorrectly recorded as Property and Other Local Tax receipts instead of Intergovernmental receipts.
- Debt payments were incorrectly recorded as miscellaneous expenses instead of Principal and Interest payments.
- Rollback receipts were incorrectly recorded as Transport Revenue instead of Intergovernmental receipts.
- Transfers from the General Fund to the Truck Debt Service Fund were incorrectly recorded as Equipment Purchases and Replacement expenses.
- Assigned General Fund Balance was classified as Unassigned Fund Balance in 2017 and 2016.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-002

Noncompliance/Material Weakness

Ohio Revised Code, § 5705.41(B), provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In 2017 and 2016, expenditures exceeding appropriations in the Truck Debt Service Fund.

We recommend the Fiscal Officer review and amend appropriations whenever necessary to help reduce the possibility of expenditures exceeding appropriations, provided sufficient resources are available.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Audit adjustments and reclassifications were made to the District's financial statements and accounting records to correct posting errors	Uncorrected	Reissued as Finding 2017-001
2015-002	5705.41(B) Expenditures exceeded appropriations.	Uncorrected	Reissued as Finding 2017-002



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 25, 2018**