



Dave Yost • Auditor of State

**SOUTHWEST MERCER FIRE DISTRICT
MERCER COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Mercer Fire District
Mercer County
111 Main Street
Fort Recovery, Ohio 45846

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 the Southwest Mercer Fire District, Mercer County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016 and 2015, and the respective 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 related notes of the Southwest Mercer Fire District, Mercer County as of December 31, 2016 and 2015, and 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 December 28, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2017

Southwest Mercer Fire District
Mercer County

*Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Debt Service	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$98,586	\$89,638	\$188,224
Charges for Services	19,577		19,577
Intergovernmental	17,541		17,541
Earnings on Investments	16		16
Grant Receipts	33,585		33,585
Tower Space Rental	4,200		4,200
Miscellaneous	59		59
Sale of truck and equipment	5,200		5,200
<i>Total Cash Receipts</i>	<u>178,764</u>	<u>89,638</u>	<u>268,402</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries	9,300		9,300
Employment Taxes and Benefits	5,440		5,440
Repairs & Supplies	22,072		22,072
Equipment and Training	36,233		36,233
Utilities	4,448		4,448
Insurance	15,049		15,049
Other	13,549		13,549
Debt Service:			
Principal Retirement		79,000	79,000
Interest and Fiscal Charges		10,638	10,638
<i>Total Cash Disbursements</i>	<u>106,091</u>	<u>89,638</u>	<u>195,729</u>
<i>Net Change in Fund Cash Balance</i>	<u>72,673</u>	<u>-</u>	<u>72,673</u>
<i>Fund Cash Balances, January 1</i>	92,328	-	92,328
Fund Cash Balances, December 31			
Assigned	21,060		21,060
Unassigned	143,941		143,941
<i>Fund Cash Balances, December 31</i>	<u>\$ 165,001</u>	<u>\$ -</u>	<u>\$ 165,001</u>

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

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Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Southwest Mercer Fire District, Mercer County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. The Board is comprised of a representative from each of the townships of Gibson, Recovery and Washington, Mercer County, Ohio and the Village of Fort Recovery. Also, the board members appoint one-member-at-large to represent the people of the District. The District provides fire protection to Gibson, Recovery, and Washington Townships and the Village of Fort Recovery, Mercer County, Ohio. The District also has a contract with Mississinawa Township, Darke County, Ohio. All firefighters are volunteers. The District owns all vehicles and equipment. The building to house these items is owned by the Fort Recovery Firefighters Association and the District leases the building for \$1.00 per year.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (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.

Debt Service Fund This funds accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 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.

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.

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

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

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

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

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

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 Mercer Fire District
 Mercer County
Notes to the Financial Statements
 For the Year Ended December 31, 2016

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,794	\$178,764	\$51,970
Debt Service	89,638	89,638	0
Total	\$216,432	\$268,402	\$51,970

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,544	\$106,091	\$26,453
Debt Service	89,638	89,638	0
Total	\$222,182	\$195,729	\$26,453

Note 4 – Deposits

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

Demand deposits	2016 \$165,001
Total deposits	\$165,001

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

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

Note 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 participates in the Ohio Bureau of Workers' Compensation group rating program and the Ohio Rural Water Association Group Experience Rating Program.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two employees 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

Note 8 - 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. OPERS contributes 2 percent to fund these benefits.

Southwest Mercer Fire District
 Mercer County
Notes to the Financial Statements
 For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$291,000	2.50%
Total	\$291,000	

The District financed the purchase of a 2016 Pierce Aerial Ladder fire truck with a five year bond from the Mercer County Commissioners at a rate of 2.5% on August 17, 2015. Payments are made semi-annually with an option for a one-time partial or full payment. The bond matures on April 20, 2020.

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

Year ending	<u>Bonds</u>
December 31:	
2017	\$86,775
2018	87,763
2019	87,675
2020	43,538
Total	\$305,751

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Southwest Mercer Fire District
Mercer County

*Statement of Receipts, Disbursements and
Changes In Fund Balance (Cash Basis)
General Fund
For the Year Ended December 31, 2015*

	<u>General</u>
Cash Receipts	
Property and Other Local Taxes	\$186,757
Charges for Services	19,577
Intergovernmental	17,628
Earnings on Investments	401
Grant Receipts	3,750
Donations	1,400
Miscellaneous	347
<i>Total Cash Receipts</i>	<u>229,860</u>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Salaries	9,300
Employment Taxes and Benefits	5,985
Repairs & Supplies	18,769
Equipment	5,306
Utilities	5,101
Insurance	14,796
Other	9,915
Capital Outlay	870,846
<i>Total Cash Disbursements</i>	<u>940,018</u>
<i>Excess Receipts (Under) Disbursements</i>	<u>(710,158)</u>
Other Financing Receipts	
Proceeds of Debt	370,000
<i>Total Other Financing Receipts</i>	<u>370,000</u>
<i>Net Change in Fund Cash Balance</i>	(340,158)
<i>Fund Cash Balance, January 1</i>	432,486
Fund Cash Balance, December 31	
Assigned	5,750
Unassigned	86,578
<i>Fund Cash Balance, December 31</i>	<u>\$92,328</u>

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

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Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Southwest Mercer Fire District, Mercer County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. The Board is comprised of a representative from each of the townships of Gibson, Recovery and Washington, Mercer County, Ohio and the Village of Fort Recovery. Also, the board members appoint one-member-at-large to represent the people of the District. The District provides fire protection to Gibson, Recovery, and Washington Townships and the Village of Fort Recovery, Mercer County, Ohio. The District also has a contract with Mississinawa Township, Darke County, Ohio. All firefighters are volunteers. The District owns all vehicles and equipment. The building to house these items is owned by the Fort Recovery Firefighters Association and the District leases the building for \$1.00 per year.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of a statement of receipts, disbursements and changes in fund balances (cash basis) for the General Fund.

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 fund of the District is 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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 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.

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.

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

Capital Assets

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

Fund Balance

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

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

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

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

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

Southwest Mercer Fire District
 Mercer County
Notes to the Financial Statements
 For the Year Ended December 31, 2015

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$583,809	\$599,860	\$16,051
Total	\$583,809	\$599,860	\$16,051

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,016,132	\$940,018	\$76,114
Total	\$1,016,132	\$940,018	\$76,114

Note 4 – Deposits

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

Demand deposits	2015 \$92,328
Total deposits	\$92,328

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Southwest Mercer Fire District
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

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

Note 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 participates in the Ohio Bureau of Workers' Compensation group rating program and the Ohio Rural Water Association Group Experience Rating Program.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two employees 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Note 8 - 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. OPERS contributes 2 percent to fund these benefits.

Southwest Mercer Fire District
 Mercer County
Notes to the Financial Statements
 For the Year Ended December 31, 2015

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$370,000	2.50%
Total	\$370,000	

The District financed the purchase of a 2016 Pierce Aerial Ladder fire truck with a five year bond from the Mercer County Commissioners at a rate of 2.5% on August 17, 2015. Payments are made semi-annually with an option for a one-time partial or full payment. The bond matures on April 20, 2020.

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

Year ending December 31:	Bonds
2016	\$89,637
2017	86,775
2018	87,763
2019	87,675
2020	43,538
Total	\$395,388

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Dave Yost • Auditor of State

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

Southwest Mercer Fire District
Mercer County
111 Main Street
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Southwest Mercer Fire District, Mercer County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2017, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2017

**SOUTHWEST MERCER FIRE DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance / Material Weakness

Ohio Constitution Article XII, Section 11 states, in part, no bonded indebtedness of the state or any political subdivisions thereof, shall be incurred or renewed unless, in the legislation under which such indebtedness is incurred or renewed, provision is made for levying and collecting annually by taxation an amount sufficient to pay the interest on said bonds, and to provide a sinking fund for their final redemption at maturity. In addition, **Ohio Rev. Code § 5705.09(E)** requires each subdivision shall establish a special bond fund for each bond issue.

The District did not establish a separate debt service fund for the payment of the fire truck levy.

In 2016, debt service: principal retirement, debt service: interest and fiscal charges, and corresponding property and other local taxes were reclassified from the General Fund and reported in a Debt Service Fund in the amount of \$79,000, \$10,638, and \$89,638, respectively, for proper financial statement reporting. Appropriations and budgeted receipts of \$89,638 were also adjusted from the general to the debt service fund in the Notes to the Financial Statements.

The District should establish a separate debt service fund for proper reporting of debt activity for the acquisition of the new fire truck.

Official's Response:

We have always had one fund, the general fund and were making debt payment through this fund. I understand now that I cannot do this and will start a debt service fund for 2018.

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Dave Yost • Auditor of State

SOUTHWEST MERCER FIRE DISTRICT

MERCER 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
JANUARY 30, 2018**