



**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Perry Congress Joint Fire District
Morrow County
7478 Co. Rd. 242
Bellville, OH 44813

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 Perry Congress Joint Fire District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, 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 Perry Congress Joint Fire District, Morrow County, Ohio, as of December 31, 2018 and 2017, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 12, 2019

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 149,167	\$ 206,848	\$ -	\$ 356,015
Intergovernmental	78,863	5,200	-	84,063
Charges for Services	6,397	-	-	6,397
Earnings on Investments	118	-	-	118
Miscellaneous	4,240	-	-	4,240
<i>Total Cash Receipts</i>	<u>238,785</u>	<u>212,048</u>	<u>-</u>	<u>450,833</u>
Cash Disbursements				
Current:				
General Government	186,323	-	-	186,323
Public Safety	78,264	-	-	78,264
Capital Outlay	115,000	-	-	115,000
Debt Service:				
Principal Retirement	-	105,197	-	105,197
Interest and Fiscal Charges	-	91,085	-	91,085
<i>Total Cash Disbursements</i>	<u>379,587</u>	<u>196,282</u>	<u>-</u>	<u>575,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(140,802)</u>	<u>15,766</u>	<u>-</u>	<u>(125,036)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	42,799	-	-	42,799
Transfers In	-	14,601	-	14,601
Transfers Out	-	-	(14,601)	(14,601)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>42,799</u>	<u>14,601</u>	<u>(14,601)</u>	<u>42,799</u>
<i>Net Change in Fund Cash Balances</i>	<u>(98,003)</u>	<u>30,367</u>	<u>(14,601)</u>	<u>(82,237)</u>
<i>Fund Cash Balances, January 1</i>	<u>355,590</u>	<u>5,305</u>	<u>14,601</u>	<u>375,496</u>
Fund Cash Balances, December 31				
Restricted	-	35,672	-	35,672
Assigned	257,587	-	-	257,587
<i>Fund Cash Balances, December 31</i>	<u>\$ 257,587</u>	<u>\$ 35,672</u>	<u>\$ -</u>	<u>\$ 293,259</u>

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

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**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 Perry Congress Joint Fire District, Morrow County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Perry Township and Congress Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

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

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

C. Deposits

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 maintains a demand deposit account and two saving 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.

2. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Fund:

Debt Retirement Fund– This fund responsible for the payment of the Series 2016 New Fire Station Bonds. See Note 5 for additional information on this District bond issuance.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project fund:

Fire Station Fund – This fund receives special levy proceeds and reports all activity related to the construction and maintenance of the District's new fire station building.

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 2018 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. Non-spendable

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

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

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:

	2018
Demand deposits	<u>\$293,259</u>

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

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$170,803	\$281,584	\$110,781
Debt Service Fund	0	226,649	226,649
Capital Projects Fund	213,480	0	(213,480)
Total	\$384,283	\$508,233	\$123,950

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$379,587	(\$379,587)
Debt Service Fund	0	196,282	(196,282)
Capital Projects Fund	0	14,601	(14,601)
Total	\$0	\$590,470	(\$590,470)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for all funds for the year ended December 31, 2018 because the District did not timely submit all required budgetary documents to the County Auditor.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

5. Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Fire Station Bonds	\$2,343,453	3.76%

In June 2016, the District obtained bonded debt to finance the construction of a new fire station for the District in the amount of \$2,550,000 with interest rate of 3.76%. The District's taxing authority collateralized the bond. The bond has a term of 18 years ending in October 2034.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

5. Debt (Continued)

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

2019	196,282
2020	196,282
2021	196,282
2022	196,282
2023	196,282
2024-2028	981,408
2029-2033	983,004
2034	<u>197,080</u>
Total	<u>\$3,142,902</u>

6. Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)**

7. Social Security

The District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The district contributed an amount equal to 6.2 percent of participant's gross salaries. The District has paid all contributions required through December 31, 2018.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 142,993	\$ 196,280	\$ 3,735	\$ 343,008
Intergovernmental	26,391	5,305	-	31,696
Charges for Services	4,519	-	-	4,519
Earnings on Investments	26	-	160	186
Miscellaneous	4,191	-	-	4,191
<i>Total Cash Receipts</i>	<u>178,120</u>	<u>201,585</u>	<u>3,895</u>	<u>383,600</u>
Cash Disbursements				
Current:				
General Government	52,865	-	5,230	58,095
Security of Persons and Property	75,466	-	-	75,466
Other	12,652	-	-	12,652
Capital Outlay	-	-	2,019,577	2,019,577
Debt Service:				
Principal Retirement	-	101,349	-	101,349
Interest and Fiscal Charges	-	94,931	-	94,931
<i>Total Cash Disbursements</i>	<u>140,983</u>	<u>196,280</u>	<u>2,024,807</u>	<u>2,362,070</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	37,137	5,305	(2,020,912)	(1,978,470)
Other Financing Receipts				
Bond Proceeds	-	-	1,831,280	1,831,280
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>-</u>	<u>1,831,280</u>	<u>1,831,280</u>
<i>Net Change in Fund Cash Balances</i>	37,137	5,305	(189,632)	(147,190)
<i>Fund Cash Balances, January 1</i>	<u>318,453</u>	<u>-</u>	<u>204,233</u>	<u>522,686</u>
Fund Cash Balances, December 31				
Restricted	-	5,305	14,601	19,906
Assigned	355,590	-	-	355,590
<i>Fund Cash Balances, December 31</i>	<u>\$ 355,590</u>	<u>\$ 5,305</u>	<u>\$ 14,601</u>	<u>\$ 375,496</u>

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

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**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

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 Perry Congress Joint Fire District, Morrow County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Perry Township and Congress Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

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

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

C. Deposits

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 maintains a demand deposit account and two saving 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.

2. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Fund:

Debt Retirement Fund– This fund responsible for the payment of the Series 2016 New Fire Station Bonds. See Note 5 for additional information on this District bond issuance.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project fund:

Fire Station Fund – This fund receives special levy proceeds and reports all activity related to the construction and maintenance of the District's new fire station building.

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 2017 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. Non-spendable

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

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

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:

	2017
Demand deposits	<u>\$375,496</u>

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

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,761	\$178,120	\$11,359
Debt Service Fund	0	201,585	201,585
Capital Projects Fund	1,829,306	1,835,175	5,869
Total	\$1,996,067	\$2,214,880	\$218,813

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$501,731	\$140,983	\$360,748
Debt Service Fund	0	196,280	(196,280)
Capital Projects Fund	2,017,022	2,024,807	(7,785)
Total	\$2,518,753	\$2,362,070	\$156,683

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Retirement and Fire Station funds by \$196,280 and \$7,785, respectively, for the year ended December 31, 2017.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

5. Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Fire Station Bonds	\$2,448,650	3.76%

In June 2016, the District obtained bonded debt to finance the construction of a new fire station for the District in the amount of \$2,550,000 with interest rate of 3.76%. The District's taxing authority collateralized the bond. The bond has a term of 18 years ending in October 2034.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

5. Debt (Continued)

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

2018	\$196,282
2019	196,282
2020	196,282
2021	196,282
2022	196,282
2023-2027	981,408
2028-2032	982,206
2033-2034	<u>394,160</u>
Total	<u>\$3,339,184</u>

6. Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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

7. Social Security

The District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participant's gross salaries. The District has paid all contributions required through December 31, 2017.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Perry Congress Joint Fire District
Morrow County
7478 Co. Rd. 242
Bellville, OH 44813

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 Perry Congress Joint Fire District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 12, 2019, 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 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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 12, 2019

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District does not have sufficient internal controls in place to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements. As a result, below are descriptions of the reclassifications and adjustments that were deemed material and required posting to the District's December 31, 2018 and 2017 financial statements:

- In 2017, Capital Projects Fund balance of \$14,601 was reclassified from assigned to restricted in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2017, Debt Service Fund debt principal payments totaling \$101,349 were reclassified from capital outlay to principal retirement.
- In 2017, adjustment was made to record Capital Projects Fund bond proceeds and related capital outlay expenditures in the amount of \$1,621,104 related to construction of a new fire station paid by a financial institution on behalf of the District.
- In 2017, Capital Projects Fund debt proceeds totaling \$210,176 were reclassified from miscellaneous receipts to bond proceeds.
- In 2018, General Fund fire truck purchase totaling \$115,000 was reclassified from general government to capital outlay.
- In 2018, General Fund sale of assets totaling \$42,799 was reclassified from extraordinary item to sale of capital assets.
- In 2018, adjustments were made to correct Debt Service Fund activity improperly shown as Special Revenue Fund on the financial statements.

The District has recorded these reclassifications and adjustments to the financial statements and accounting records. We also identified the two revenue reclassifications which were reported to management as unadjusted differences.

By not ensuring proper financial statement presentation, the District cannot report accurate financial activity to its constituents.

We recommend the District implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

We did not receive a response from officials to this finding.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002

Revenue Posting – Material Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

The District posted receipts to improper funds as follows:

- In 2017, Debt Service Fund homestead & rollback receipts totaling \$5,305 were incorrectly posted to the General Fund.
- In 2018, Debt Service Fund homestead & rollback receipts totaling \$5,200 were incorrectly posted to the General Fund (\$2,621) and Special Revenue Fund (\$2,579).
- In 2018, a General Fund grant reimbursement receipt in the amount of \$48,975 was incorrectly posted to the Special Revenue Fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement internal control procedures to review revenue sources for possible restrictions. This will help ensure all receipts posted to the proper funds.

Officials' Response:

We did not receive a response from officials to this finding.

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003

Budgetary Requirements – Material Noncompliance

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall expend money unless it has been appropriated.

Ohio Rev. Code Section 5705.36(A) states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget.

Ohio Rev. Code Section 5705.39 states in part no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

In January 2018, the District completed a certificate of the total amount from all sources available for expenditures, and the Board approved the annual appropriation measure. However, these documents were not submitted to the Morrow County Auditor until 2019. Therefore, the Morrow County Auditor could not certify that appropriations did not exceed the official or amended estimate of resources. As a result, all expenditures in 2018 exceeded a duly authorized appropriation measure.

Additionally, 2017 budgetary expenditures exceeded appropriation authority in the Debt Retirement and Fire Station funds by \$196,280 and \$7,785, respectively.

We recommend the District timely submit all required budgetary documents to the Morrow County Auditor. The District should consult its legal counsel and review the Ohio Compliance Supplement to develop a schedule to ensure all annual budgetary filings are made on time and compliance requirements are met. We further recommend the District monitor budget versus actual reports periodically to ensure expenditures do not exceed approved appropriations. Supplemental appropriation measures should be adopted as needed to ensure compliance.

Officials' Response:

We did not receive a response from officials to this finding.

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**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness/Noncompliance – Financial Statement Presentation	Not Corrected	Similar finding is being repeated in the current audit as finding 2018-001.

OHIO AUDITOR OF STATE
KEITH FABER



PERRY CONGRESS JOINT FIRE DISTRICT

MORROW 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
FEBRUARY, 4 2020**