



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SRWW #2 JOINT FIRE DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

SRWW #2 Joint Fire District
Clinton County
148 South Howard Street
Sabina, Ohio 45169

To the Board of Trustees:

We have audited the accompanying financial statements of SRWW #2 Joint Fire District, Clinton County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2000 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 grants.

This report is intended solely for the information and use of management and the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 17, 2000

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**SRWW #2 JOINT FIRE DISTRICT
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 GENERAL AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$138,836	\$0	\$138,836
Intergovernmental	15,667	0	15,667
Charges for Services	6,180	0	6,180
Interest	5,578	670	6,248
Miscellaneous	<u>2,795</u>	<u>4,837</u>	<u>7,632</u>
 Total Cash Receipts	 <u>169,056</u>	 <u>5,507</u>	 <u>174,563</u>
Cash Disbursements:			
Public Safety	51,643	0	51,643
General Government	13,912	0	13,912
Public Works	2,670	0	2,670
Other	<u>24,707</u>	<u>404</u>	<u>25,111</u>
 Total Disbursements	 <u>92,932</u>	 <u>404</u>	 <u>93,336</u>
 Total Receipts Over/(Under) Disbursements	 <u>76,124</u>	 <u>5,103</u>	 <u>81,227</u>
 Fund Cash Balances January 1	 <u>146,697</u>	 <u>24,875</u>	 <u>171,572</u>
 Fund Cash Balances, December 31	 <u>\$222,821</u>	 <u>\$29,978</u>	 <u>\$252,799</u>
 Reserves for Encumbrances, December 31	 <u>\$209</u>	 <u>\$0</u>	 <u>\$209</u>

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

**SRWW #2 JOINT FIRE DISTRICT
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 GENERAL AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$129,887	\$0	\$129,887
Intergovernmental	13,214	0	13,214
Charges for Services	6,180	0	6,180
Interest	4,986	499	5,485
Miscellaneous	3,846	5,727	9,573
	<u>158,113</u>	<u>6,226</u>	<u>164,339</u>
Cash Disbursements:			
Public Safety	104,522	0	104,522
General Government	10,195	0	10,195
Public Works	2,497	0	2,497
Other	0	1,506	1,506
	<u>117,214</u>	<u>1,506</u>	<u>118,720</u>
Total Receipts Over/(Under) Disbursements	<u>40,899</u>	<u>4,720</u>	<u>45,619</u>
Fund Cash Balances January 1	<u>105,798</u>	<u>20,155</u>	<u>125,953</u>
Fund Cash Balances, December 31	<u>\$146,697</u>	<u>\$24,875</u>	<u>\$171,572</u>
Reserves for Encumbrances, December 31	<u>\$227</u>	<u>\$0</u>	<u>\$227</u>

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

**SRWW #2 JOINT FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

SRWW #2 Joint Fire District, Clinton County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed four-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are: the Village of Sabina, Richland Township, Wayne Township, and Wilson Township. The Joint Fire 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The District funds are deposited in a "Now" checking account and a certificate of deposit with a local commercial bank. The District pools its cash to capture the highest rate of return. Interest income is distributed to District funds based upon the Ohio Statutes.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Fiduciary Funds (Expendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The District had the following significant Fiduciary Funds:

Fire Trust Fund and Emergency Management Trust Fund - The Funds are classified as Expendable Trust Funds used to account for balances of the trust funds that were maintained by the Village of Sabina, but given to the Joint Fire District upon their establishment in 1996. These funds are used to account for all gifts and/or donations received by the Joint Fire District.

**SRWW #2 JOINT FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

The District maintains a cash and deposits pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 159,132	\$ 130,939
Certificates of deposit	93,667	40,633
	\$ 252,799	\$ 171,572
Total deposits	\$ 252,799	\$ 171,572

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**SRWW #2 JOINT FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,912	\$ 169,056	\$ 19,144
Expendable Trust Funds	1,000	5,507	4,507
Total	\$ 150,912	\$ 174,563	\$ 23,651

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 293,275	\$ 93,141	\$ 200,134
Expendable Trust Funds	25,817	404	25,413
Total	\$ 319,092	\$ 93,545	\$ 225,547

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 138,248	\$ 158,113	\$ 19,865
Expendable Trust Funds	1,000	6,226	5,226
Total	\$ 139,248	\$ 164,339	\$ 25,091

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 205,552	\$ 117,441	\$ 88,111
Expendable Trust Funds	21,098	1,506	19,592
Total	\$ 226,650	\$ 118,947	\$ 107,703

The District did not obtain prior certification of the fiscal officer for all purchase commitments nor were commitments properly encumbered as required by Ohio law.

4. PROPERTY TAX

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

**SRWW #2 JOINT FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

Elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

7. LEASE-PURCHASE AGREEMENT

The District assumed a lease-purchase agreement, from the Village of Sabina, for a fire pumper when the Joint Fire District was established during 1996. The final payment was made on April 1, 1998 in the amount of \$37,754.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

SRWW #2 Joint Fire District
Clinton County
148 South Howard Street
Sabina, Ohio 45169

To the Board of Trustees:

We have audited the accompanying financial statements of SRWW #2 Joint Fire District, Clinton County, Ohio (the District), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-40414-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated 1999 July 17, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

July 17, 2000

**SRWW #2 JOINT FIRE DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-40414-001

Noncompliance Citation

Ohio Revised Code, Section 5705.41 (D), states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now certificate without affirmation of the Board, if such expenditures is otherwise valid.

The District failed to get the fiscal officer certification before making commitments. 30% of expenditures and obligations tested were initialed without obtaining prior certification of the Clerk and proper preparation of a purchase order. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying on purchase orders. Failure to properly certify funds could result in overspending of District funds.



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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
AUGUST 22, 2000**