



Certified Public Accountants, A.C.

**SOUTHEAST HARDIN NORTHWEST UNION
JOINT FIRE DISTRICT
HARDIN COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
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1310 Market St.,
Suite 300
Wheeling, WV 26003
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749 Wheeling Ave.,
Suite 300
Cambridge, OH 43725
740.435.3417

www.perrycpas.com



Dave Yost • Auditor of State

Board of Trustees
Southeast Hardin Northwest Union Joint Fire District
PO Box 123
Mt. Victory, OH 43340

We have reviewed the *Independent Auditor's Report* of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southeast Hardin Northwest Union Joint Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 5, 2018

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**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

July 31, 2018

Southeast Hardin Northwest Union Joint Fire District
Hardin County
PO Box 123
Mt. Victory, OH 43340

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 **Southeast Hardin Northwest Union Joint Fire District**, Hardin County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, 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, 2017 and 2016, and the respective changes in financial position or cash flows 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 relates notes of Southeast Hardin Northwest Union Joint Fire District, Hardin County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 206,335	\$ -	\$ -	\$ 206,335
Intergovernmental	7,689	-	-	7,689
Interest - Checking	370	-	-	370
Interest - STAR Ohio	544	-	-	544
Interest - Certificates of Deposit	45	-	-	45
EMS Receipts	9,157	-	-	9,157
VFIS Insurance Claims	6,108	-	-	6,108
Miscellaneous	22,722	-	-	22,722
<i>Total Cash Receipts</i>	<u>252,970</u>	<u>-</u>	<u>-</u>	<u>252,970</u>
Cash Disbursements				
Administrative:				
Salary - Clerk	5,317	-	-	5,317
Travel & Other Expenses	240	-	-	240
Supplies - Administrative	1,601	-	-	1,601
Equipment - Administrative	1,431	-	-	1,431
Insurance	20,296	-	-	20,296
Legal Counsel	4,660	-	-	4,660
Assessments & Contributions	450	-	-	450
Workers Compensation	928	-	-	928
Auditor's & Treasure's Fee	3,842	-	-	3,842
State Auditor's Fee	1,271	-	-	1,271
Other Expenses	7,003	-	-	7,003
Building:				
Salary	696	-	-	696
Utilities	9,287	-	-	9,287
Maintenance Supplies	429	-	-	429
Repairs	7,584	-	-	7,584
Other Expenses	1,030	-	-	1,030
Fire Protection:				
Salaries - Firemen	18,288	-	-	18,288
Equipment Purchases & Replacement	10,905	-	-	10,905
Fire Training	425	-	-	425
Supplies	4,994	-	-	4,994
Repairs	30,302	-	-	30,302
Other Expenses	2,734	-	-	2,734
EMS Service:				
Salaries - Firemen	7,456	-	-	7,456
Equipment Purchases & Replacement	7,315	-	-	7,315
EMS Training	11,197	-	-	11,197
Supplies	4,114	-	-	4,114
Repairs	1,811	-	-	1,811
Other Expenses	2,799	-	-	2,799
Debt Service:				
Equipment Loan Principal	39,475	24,208	-	63,683
Equipment Loan Interest	4,078	-	-	4,078
<i>Total Cash Disbursements</i>	<u>211,958</u>	<u>24,208</u>	<u>-</u>	<u>236,166</u>
<i>Net Change in Fund Cash Balances</i>	<u>41,012</u>	<u>(24,208)</u>	<u>-</u>	<u>16,804</u>
<i>Fund Cash Balances, January 1</i>	<u>298,248</u>	<u>24,208</u>	<u>1,165</u>	<u>323,621</u>
Fund Cash Balances, December 31				
Restricted	-	-	1,165	1,165
Assigned	322,502	-	-	322,502
Unassigned	16,758	-	-	16,758
<i>Fund Cash Balances, December 31</i>	<u>\$ 339,260</u>	<u>\$ -</u>	<u>\$ 1,165</u>	<u>\$ 340,425</u>

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

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT

HARDIN COUNTY

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Southeast Hardin Northwest Union Joint Fire District, Hardin 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 one member. Those subdivisions are Dudley District and Hale District in Hardin County, Washington District in Union County, and the Village of Mount Victory in Hardin County. The District provides fire protection within the District.

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 (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

SR2 Fund This fund accounts for the remaining balance of an expired levy passed in 2006, the proceeds of which are used for equipment.

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

Equipment Fund This fund accounts for the note proceeds and disbursement for the purchase of a pumper truck.

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).

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

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 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. 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. The District did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificate of deposits are valued at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 210,772	\$ 252,970	\$ 42,198
Total	<u>\$ 210,772</u>	<u>\$ 252,970</u>	<u>\$ 42,198</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 494,748	\$ 211,958	\$ 282,790
Special Revenue	24,208	24,208	-
Capital Projects	1,165	-	1,165
Total	<u>\$ 520,121</u>	<u>\$ 236,166</u>	<u>\$ 283,955</u>

Note 4 – Deposits and Investments

The District maintains a deposit and investments 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:

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Deposits and Investments (Continued)

	2017
Demand deposits	\$ 259,167
Certificates of deposit	30,000
Total deposits	289,167
STAR Ohio	51,258
Total investments	51,258
Total deposits and investments	\$ 340,425

Deposits

Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2017 deposits exceeded the FDIC limit by \$57,744.

Investments

Deposits in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – 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.

Tangible personal property tax owners assess that property. The property owners must file a tangible property list to the County by each April 30.

Hardin County and Union County are 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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District's clerk and custodian 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.

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Social Security

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2017, the fire chief, assistant fire chief, and thirty-two supporting members have elected Social Security.

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

Note 8 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest</u>
Pumper Truck	\$ 45,931	3.5%
Total	<u>\$ 45,931</u>	

On March 21st, 2014 the District obtained a loan in the amount of \$280,000 to finance the purchase of a pumper truck. Principal and interest payments are due on April 1st and September 1st.

The first principal and interest payment was due on September 1st, 2014. The loan is collateralized by the District's pumper truck. This loan is being repaid from the Special Revenue Fire Apparatus Fund which was funded by a tax levy until 2015. Once the balance of the Special Revenue Apparatus Fund is exhausted, the District will pay the remaining balance from the General Fund which receives property tax money from the levy that replaced the levy that previously funded the Special Revenue Fire Apparatus Fund.

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

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 45,931	\$ 1,633	\$ 47,564
Total	<u>\$ 45,931</u>	<u>\$ 1,633</u>	<u>\$ 47,564</u>

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 206,968	\$ -	\$ -	\$ 206,968
Intergovernmental	8,062	-	-	8,062
Interest - Checking	378	-	-	378
Interest - STAR Ohio	270	-	-	270
Interest - Certificates of Deposit	45	-	-	45
Training Grant	10,000	-	-	10,000
Rent	750	-	-	750
VFIS Insurance Claims	4,983	-	-	4,983
Miscellaneous	4,636	-	-	4,636
<i>Total Cash Receipts</i>	<u>236,092</u>	<u>-</u>	<u>-</u>	<u>236,092</u>
Cash Disbursements				
Administrative:				
Salary - Clerk	3,452	-	-	3,452
Travel & Other Expenses	334	-	-	334
Supplies - Administrative	1,146	-	-	1,146
Equipment - Administrative	122	-	-	122
Insurance	21,019	-	-	21,019
Legal Counsel	8,137	-	-	8,137
Assessments & Contributions	150	-	-	150
Workers Compensation	2,196	-	-	2,196
Auditor's & Treasurer's Fee	3,813	-	-	3,813
State Auditor's Fee	4,141	-	-	4,141
Other Expenses	2,865	-	-	2,865
Building:				
Salary	697	-	-	697
Utilities	9,434	-	-	9,434
Maintenance Supplies	927	-	-	927
Repairs	3,058	-	-	3,058
Site Improvements	452	-	-	452
Other Expenses	963	-	-	963
Fire Protection:				
Salaries - Firemen	18,267	-	-	18,267
Equipment Purchases & Replacement	32,288	-	-	32,288
Supplies	4,503	-	-	4,503
Repairs	15,333	-	-	15,333
Other Expenses	3,121	-	-	3,121
Debt Service:				
Equipment Loan Principal	-	61,494	-	61,494
Equipment Loan Interest	-	6,267	-	6,267
<i>Total Cash Disbursements</i>	<u>136,418</u>	<u>67,761</u>	<u>-</u>	<u>204,179</u>
<i>Net Change in Fund Cash Balances</i>	<u>99,674</u>	<u>(67,761)</u>	<u>-</u>	<u>31,913</u>
<i>Fund Cash Balances, January 1</i>	<u>198,574</u>	<u>91,969</u>	<u>1,165</u>	<u>291,708</u>
Fund Cash Balances, December 31				
Restricted	-	24,208	1,165	25,373
Assigned	283,976	-	-	283,976
Unassigned	14,272	-	-	14,272
<i>Fund Cash Balances, December 31</i>	<u>\$ 298,248</u>	<u>\$ 24,208</u>	<u>\$ 1,165</u>	<u>\$ 323,621</u>

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

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT

HARDIN COUNTY

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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

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Basis of Accounting

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SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

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 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. 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. The District did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificate of deposits are valued at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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	\$ 209,980	\$ 236,092	\$ 26,112
Total	\$ 209,980	\$ 236,092	\$ 26,112

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 405,092	\$ 136,418	\$ 268,674
Special Revenue	86,934	67,761	19,173
Total	\$ 492,026	\$ 204,179	\$ 287,847

Note 4 – Deposits and Investments

The District maintains a deposit and investments 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:

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments (Continued)

	2016
Demand deposits	\$ 242,906
Certificates of deposit	30,000
Total deposits	272,906
STAR Ohio	50,715
Total investments	50,715
Total deposits and investments	\$ 323,621

Deposits

Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2016 deposits exceeded the FDIC limit by \$36,168.

Investments

Deposits in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – 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.

Tangible personal property tax owners assess that property. The property owners must file a tangible property list to the County by each April 30.

Hardin County and Union County are 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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The District's clerk and custodian 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.

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2016, 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.

Social Security

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2016, the fire chief, assistant fire chief, and thirty-two supporting members have elected Social Security.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 8 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest</u>
Pumper Truck	\$ 109,614	3.5%
Total	<u>\$ 109,614</u>	

On March 21st, 2014 the District obtained a loan in the amount of \$280,000 to finance the purchase of a pumper truck. Principal and interest payments are due on April 1st and September 1st.

The first principal and interest payment was due on September 1st, 2014. The loan is collateralized by the District's pumper truck. This loan is being repaid from the Special Revenue Fire Apparatus Fund which was funded by a tax levy until 2015. Once the balance of the Special Revenue Apparatus Fund is exhausted, the District will pay the remaining balance from the General Fund which receives property tax money from the levy that replaced the levy that previously funded the Special Revenue Fire Apparatus Fund.

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

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 63,683	\$ 4,078	\$ 67,761
2018	45,931	1,633	47,564
Total	<u>\$ 109,614</u>	<u>\$ 5,711</u>	<u>\$ 115,325</u>

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Certified Public Accountants, A.C.

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

July 31, 2018

Southeast Hardin Northwest Union Joint Fire District
Hardin County
PO Box 123
Mt. Victory, OH 43340

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 **Southeast Hardin Northwest Union Joint Fire District**, Hardin County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2018, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as items 2017-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 31, 2018.

Purpose of this Report

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



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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

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

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

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2017 and 2016, fund balances were not classified based on Governmental Accounting Standards Statement No. 54 and footnote disclosures were not always presented correctly. The following errors were noted:

- Subsequent year appropriations that exceeded estimated receipts were classified as Assigned for the General Fund in 2017 and 2016 and remaining balance was classified as Unassigned;
- Special Revenue fund balance was classified as Restricted in 2016;
- The District did not properly disclose the Capital Projects Fund as a separate fund type on the 2017 and 2016 annual report;
- The District did not properly reflect budgetary receipts in the budgetary footnote for the General Fund in 2017 and 2016;
- The District did not properly reflect appropriation authority in the budgetary footnote for the General Fund in 2017 and 2016 and the Special Revenue Fund in 2016;
- The District did not accurately disclose the deposit footnote for 2017 and 2016;
- The District did not accurately disclose outstanding debt as of December 31, 2017 and 2016;
- The District did not accurately disclose outstanding debt amortization as of December 31, 2017 and 2016;
- The District did not disclose a Risk Management footnote for 2016; and
- The District utilized an outdated footnote shell, therefore minor corrections were made to conform with the most up to date guidance available.

As a result, reclassifications and modifications were made in order to fairly present the annual financial report. The financial statements and footnotes reflect these reclassifications and modifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements.

We also recommend the District refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances. The District should also ensure all applicable footnote disclosures are accurately reported.

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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002

Noncompliance

Ohio Revised Code § 5705.41(D) provides, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.

2. Blanket certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket certificate – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 85% of the expenditures tested for 2017 and for 73% of the expenditures tested for 2016.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements, and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Clerk should certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "Then and Now" certification should be used.

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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness - Financial Reporting	Not Corrected	Repeated as Part of Finding 2017-001
2015-002	Material Weakness/Noncompliance - Establishment of a Special Fund	Not Corrected	Repeated as Part of Finding 2017-001
2015-003	Noncompliance - Certification of Expenditures	Not Corrected	Repeated as Finding 2017-002

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Dave Yost • Auditor of State

SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT

HARDIN 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
OCTOBER 18, 2018**