



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

SRWW #2 Joint Fire District
Clinton County
179 S. Jackson 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, 2007 and 2006. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of SRWW #2 Joint Fire District, Clinton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 5, 2008

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$161,992	\$0	\$161,992
Charges for Services	7,000	107,624	114,624
Intergovernmental	11,562	0	11,562
Earnings on Investments	3,886	744	4,630
Miscellaneous	4,490	11,637	16,127
	<u>188,930</u>	<u>120,005</u>	<u>308,935</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property	54,432	43,961	98,393
General Government	21,844	0	21,844
Other	0	3,208	3,208
Capital Outlay	12,252	0	12,252
Debt Service:			
Redemption of Principal	26,838	50,220	77,058
Interest and Other Fiscal Charges	9,217	11,096	20,313
	<u>124,583</u>	<u>108,485</u>	<u>233,068</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	64,347	11,520	75,867
Fund Cash Balances, January 1	<u>60,925</u>	<u>190,210</u>	<u>251,135</u>
Fund Cash Balances, December 31	<u>\$125,272</u>	<u>\$201,730</u>	<u>\$327,002</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,325</u>	<u>\$1,325</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$165,638	\$0	\$165,638
Charges for Services	7,000	81,975	88,975
Intergovernmental	92,858	0	92,858
Earnings on Investments	485	679	1,164
Miscellaneous	9,785	5,857	15,642
	<u>275,766</u>	<u>88,511</u>	<u>364,277</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property	56,725	13,645	70,370
General Government	34,307	0	34,307
Other	0	1,535	1,535
Capital Outlay	85,455	0	85,455
Debt Service:			
Redemption of Principal	76,364	0	76,364
Interest and Other Fiscal Charges	22,450	0	22,450
	<u>275,301</u>	<u>15,180</u>	<u>290,481</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	465	73,331	73,796
Fund Cash Balances, January 1	<u>60,460</u>	<u>116,879</u>	<u>177,339</u>
Fund Cash Balances, December 31	<u><u>\$60,925</u></u>	<u><u>\$190,210</u></u>	<u><u>\$251,135</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 SRWW #2 Joint Fire District, Clinton County, Ohio (the District), as a body corporate and politic. A four-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Village of Sabina, Richland Township, Wayne Township and Wilson Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District 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 Auditor of State prescribes or permits.

C. Cash and Investments

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The accounting basis values common stock at cost or fair value when donated. Money market mutual funds are recorded at share values the mutual funds report.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

This fund accounts for proceeds from specific sources (other than from private-purpose trusts or for capital projects) restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Ambulance and Emergency Medical Services Fund – This fund receives receipts from the billing of emergency runs. The District bills for emergency runs.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds (Continued)

Fire Trust Fund and Emergency Management Trust Fund

This fund is used to account for all balances of the trust funds that were maintained by the Village of Sabina, but given to the District upon their establishment in 1996. These funds are used to account for all gifts and/or donations received by the District.

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. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$321,507	\$246,111
Mutual Funds at fair market value	4,795	4,436
Common stock at fair market value	700	588
Total investments	5,495	5,024
Total deposits and investments	\$327,002	\$251,135

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

Investments: The District was bequeathed stocks and mutual funds. Edwards Jones Investments holds the District's equity securities in book entry form in the District's name

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,638	\$188,930	\$16,292
Special Revenue	85,000	120,005	35,005
Total	\$257,638	\$308,935	\$51,297

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$303,340	\$124,583	\$178,757
Special Revenue	201,152	109,810	91,342
Total	\$504,492	\$234,393	\$270,099

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,792	\$275,766	\$54,974
Special Revenue	0	88,511	88,511
Total	\$220,792	\$364,277	\$143,485

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$368,631	\$275,301	\$93,330
Special Revenue	25,040	15,181	9,859
Total	\$393,671	\$290,482	\$103,189

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Ambulance and Emergency Services Medical Fund by \$13,645 for the year ended December 31, 2006.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Lease/Purchase	\$24,304	4.00%
Fire Building Loan	249,352	4.95%
Total	\$273,656	

The District entered into a lease/purchase agreement for a new ambulance in 2005. The lease was obtained in the amount of \$135,783, including interest. The balance will be paid in annual installments of \$25,261 over three years

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

In November 2001, the District approved and signed an agreement to obtain financing to construct a new fire building. National Bank and Trust loaned the District \$550,000 with an interest rate of 4.95% for a period of five years with annual payments of \$71,303. In 2006 the District refinanced the remaining balance for five years with annual payments of \$72,109.60.

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

Year ending December 31:	Fire Building Loan	Lease Agreement
2008	\$72,110	\$25,261
2009	72,110	
2010	72,110	
2011	72,110	
Total	\$288,439	\$25,261

6. Retirement Systems

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

7. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the SRWW#2 Joint Fire District, Clinton County, Ohio (the District), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated November 5, 2008, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated November 5, 2008.

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, providing an opinion 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 are described in the accompanying schedule as item 2007-001.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 5, 2008

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

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 5, 2008

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2006, Ambulance and Emergency Services Medical Fund expenditures exceeded appropriations by \$13,645 due to lack of budgetary oversight. The management of the District should monitor the District's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports at least quarterly to be reviewed and approved by the Board. By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the District.

Officials' Response:

The clerk is aware that the board must approve any money above the appropriations and if necessary an amended certificate requested from the county auditor.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Material Weakness: District did not reconcile ambulance runs to amounts invoiced by MBI	Yes	
2005-002	Revised Code 5705.09(F) Monies were not always posted to the particular fund specified by their purpose.	Yes	
2005-003	Revised Code 5705.41(B) Expenditures exceeded appropriations.	No	Not Corrected. Reissued as Finding 2007-001



Mary Taylor, CPA
Auditor of State

SRWW #2 JOINT FIRE DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2008**