



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southeast Hardin Northwest Union Joint Fire District
Hardin County
P.O. Box 123
Mt. Victory, Ohio 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 the Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the District) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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, 2015 and 2014, or 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 combined cash balances of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 March 24, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2017

**Southeast Hardin Northwest Union Joint Fire District
Hardin County**

**Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$202,364			\$202,364
Intergovernmental	4,073			4,073
Interest - Checking	362			362
Interest - STAR Ohio	54			54
Interest - Certificates of Deposit	45			45
Training Grants	13,844			13,844
Rent	750			750
VFIS Insurance Claims	2,336			2,336
Memorial Donations	250			250
Miscellaneous	2,381			2,381
Total Cash Receipts	<u>226,459</u>			<u>226,459</u>
Cash Disbursements:				
Administrative:				
Salary - Clerk	3,462			3,462
Travel & Other Expenses	1,424			1,424
Supplies - Administrative	1,358			1,358
Insurance	18,379			18,379
Legal Council	1,081			1,081
Assessments & Contributions	316			316
Workers Compensation	2,480			2,480
Auditor's & Treasurer's Fees	3,763			3,763
Contingency Account	429			429
Other Expenses	3,213			3,213
Building:				
Salary	697			697
Utilities	11,029			11,029
Maintenance Supplies	168			168
Repairs	7,541			7,541
Site Improvements	1,231			1,231
Other Expenses	982			982
Fire Protection:				
Salaries - Firemen	22,278			22,278
Equipment Purchases & Replacement	19,162			19,162
Supplies	11,346			11,346
Repairs	10,333			10,333
Other Expenses	5,556			5,556
State Fire Grant	10,000			10,000
Debt Service:				
Equipment Loan Principal	10,000	66,581		76,581
Equipment Loan Interest		8,489		8,489
Total Cash Disbursements	<u>146,228</u>	<u>75,070</u>		<u>221,298</u>
Excess Receipts Over (Under) Disbursements	<u>80,231</u>	<u>(75,070)</u>		<u>5,161</u>
Other Financing Receipts:				
Sale of Capitals Assets	1,714			1,714
Net Change in Fund Cash Balance	<u>81,945</u>	<u>(75,070)</u>		<u>6,875</u>
Fund Cash Balances, January 1	<u>116,629</u>	<u>167,039</u>	<u>1,165</u>	<u>284,833</u>
Fund Cash Balances, December 31 ;				
Restricted		91,969	1,165	93,134
Assigned	198,574			198,574
Fund Cash Balances, December 31	<u>\$198,574</u>	<u>\$91,969</u>	<u>\$1,165</u>	<u>\$291,708</u>

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

**Southeast Hardin Northwest Union Joint Fire District
Hardin County, Ohio**

**Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$38,540	\$141,123		\$179,663
Intergovernmental	5,376	19,864		25,240
Interest - Checking	399			399
Interest - STAR Ohio	17			17
Interest - Certificates of Deposit	45			45
Rent	750			750
VFIS Insurance Claims		3,076		3,076
Memorial Donations	25			25
Workers' Comp Refund	2,446			2,446
Repayment to FD	400			400
Total Cash Receipts	<u>47,998</u>	<u>164,063</u>		<u>212,061</u>
Cash Disbursements:				
Administrative:				
Salary - Clerk	3,481			3,481
Travel & Other Expenses	1,720			1,720
Supplies - Administrative	673			673
Equipment - Administrative		219		219
Insurance	2,690	17,153		19,843
Legal Council	3,570			3,570
Assessments & Contributions	300			300
Workers Compensation	2,978			2,978
Auditor's & Treasurer's Fees	1,019	3,690		4,709
State Auditor's Fee	354	1,184		1,538
Other Expenses	513	1,200		1,713
Building:				
Salary	694			694
Utilities		12,828		12,828
Maintenance Supplies	353			353
Repairs	287			287
Building Improvements	0			0
Site Improvements	2,908			2,908
Other Expenses	1,385			1,385
Fire Protection				
Salaries - Firemen	17,389			17,389
Equipment Purchases & Replacement		24,544		24,544
Supplies		6,204		6,204
Repairs		9,478		9,478
Other Expenses		3,988		3,988
New Equipment Engine		160,000	278,835	438,835
Debt Service:				
Equipment Loan Principal		46,433		46,433
Equipment Loan Interest		4,784		4,784
Total Cash Disbursements	<u>40,314</u>	<u>291,705</u>	<u>278,835</u>	<u>610,854</u>
Excess Receipts Over (Under) Disbursements	<u>7,684</u>	<u>(127,642)</u>	<u>(278,835)</u>	<u>(398,793)</u>
Other Financing Receipts (Disbursements)				
Sale of Capitals Assets		1,663		1,663
Proceeds of Debt			280,000	280,000
Transfers In		40,000		40,000
Transfers Out		(40,000)		(40,000)
Total Other Financing Receipts (Disbursements)		<u>1,663</u>	<u>280,000</u>	<u>281,663</u>
Net Change in Fund Cash Balance	7,684	(125,979)	1,165	(117,130)
Fund Cash Balances, January 1	<u>108,945</u>	<u>293,018</u>		<u>401,963</u>
Fund Cash Balances, December 31 ;				
Restricted		167,039	1,165	168,204
Assigned	<u>116,629</u>			<u>116,629</u>
Fund Cash Balances, December 31	<u>\$116,629</u>	<u>\$167,039</u>	<u>\$1,165</u>	<u>\$284,833</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
DECEMBER 31, 2015 AND 2014**

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 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 Township and Hale Township in Hardin County, Washington Township 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.

B. Basis of Accounting

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

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

C. Cash 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.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

2. Special Revenue Funds

These funds account 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 significant Special Revenue Funds:

Fire Apparatus Levy Fund (SR1) - This fund is used to account for the proceeds of a 2.9 mill continuing tax levy passed in November 7, 2000 restricted to purchasing and maintaining fire apparatus, appliances, buildings, or sites.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On November 14, 2014, this 2.9 mill levy was replaced by a new 2.0 mill levy to match changes in the Ohio Revised Code. As a result of the changes in the Ohio Revised Code this levy is no longer restricted and was recorded in the General Fund starting in 2015.

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

- 3. 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 pumper truck.

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. 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.

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 commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2015 and 2014 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. Nonspendable

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2015	2014
Demand deposits	\$211,263	\$204,442
Certificates of deposit	30,000	30,000
Total deposits	241,263	234,442
STAR Ohio	50,445	50,391
Total deposits and investments	\$291,708	\$284,833

Deposits/Investments: Deposits are insured by the Federal Depository Insurance Corporation. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,500	\$228,173	\$25,673
Special Revenue	0	0	0
Capital Projects	0	0	0
Total	\$202,500	\$228,173	\$25,673

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$319,473	\$146,228	\$173,245
Special Revenue	166,744	75,070	91,674
Capital Projects	1,165	0	1,165
Total	\$487,382	\$221,298	\$266,084

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,500	\$47,998	\$498
Special Revenue	160,000	205,726	45,726
Capital Projects	280,000	280,000	0
Total	\$487,500	\$533,724	\$46,224

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,905	\$40,314	\$113,591
Special Revenue	455,558	331,705	123,853
Capital Projects	280,000	278,835	1,165
Total	\$889,463	\$650,854	\$238,609

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

In 2014, the District failed to establish a capital projects fund to account for the loan proceeds and related disbursement for the purchase of a pumper truck which violated Ohio Revised Code Section 5705.09 (F). This activity was budgeted and accounted for in a Special Revenue Fund. Therefore the related budgetary activity was moved from the Special Revenue Fund Type to the Capital Projects Fund Type in the tables above.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. 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.

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Pumper Truck	\$171,108	3.50%

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:

Year ending December 31:	Equipment Loan
2016	\$67,761
2017	67,761
2018	67,761
Total	\$203,283

In 2012, the District obtained a \$21,000 loan at 3% interest rate for the purchase of rescue equipment. The loan was paid off in 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RETIREMENT SYSTEM

Ohio Public Employees Retirement System

The District's fiscal officer and custodian belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries. The District contributed an amount equal to 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

7. SOCIAL SECURITY SYSTEM

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, 2015, the fire chief, assistant fire chief, and thirty-four 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, 2015.

8. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- a. Comprehensive property and general liability;
- b. Vehicles; and
- c. Errors and omissions

9. TRANSFERS

In 2014, \$40,000 was transferred from the Special Revenue SR1 Fund to the Special Revenue SR2 Fund to cover the funding appropriated from the SR2 towards the purchase of a new truck.



Dave Yost • Auditor of State

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

Southeast Hardin Northwest Union Joint Fire District
Hardin County
P.O. Box 123
Mt. Victory, Ohio 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 the Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2017, 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 a 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 internal control deficiencies 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 2015-001 and 2015-002 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 2015-002 and 2015-003.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 24, 2017

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

The District should have procedures and controls in place to prevent and detect errors in financial reporting. The following errors were identified in the financial statements:

- Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB Codification 1800.165), effective for periods beginning after June 15, 2010, established criteria for classifying fund balances into specifically defined classifications based on the constraints placed upon the resources. The District did not implement GASB 54 for 2015 and 2014;

As a result of not implementing GASB 54, Special Revenue Fund balances of \$81,969 and \$167,039, at December 31, 2015 and 2014, respectively were reclassified from fund balance to restricted fund balance. Subsequent year appropriations in the General Fund for 2015 exceeded estimated receipts by \$198,592 and by \$116,973 in 2014 which resulted in the fund balances being reclassified from fund balance to assigned fund balance;

- In 2015, the financial statements presented two general funds which is prohibited by GASB Codification 1300.116;
- In 2014, the financial statements presented two special revenue funds which does not meet the definition of Governmental Accounting Standards Board (GASB) Codification 1300.102a which defines special revenue funds as a fund category and GASB codification 1300.103 which defines special revenue funds as a fund type and category;
- In 2014, loan proceeds of \$280,000 were recorded as cash receipts instead of Other Financing Receipts – Debt Proceeds;
- In 2014, proceeds from the sale of a truck, in the amount of \$1,663, were recorded in the General Fund as cash receipts instead of Other Financing Receipts – Sale of Capital Assets; and
- In 2015, proceeds from the sale of a truck, in the amount of \$1,714, were recorded in the Special Revenue Fire Apparatus Fund (SR 1) as cash receipts instead of Other Financing Receipts – Sale of Capital Assets

Minor revisions were also made to the budgetary note disclosures and to the fund descriptions.

Financial reporting errors impact the users' understanding of the financial statements.

**FINDING NUMBER 2015-001
(Continued)**

The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors.

The Fiscal Officer should review GASB Statement 54 and Audit Bulletin 2011-004 for guidance related to the proper reporting of fund balances and note disclosures. The errors identified above should be reviewed by the Fiscal Officer to help prevent similar errors in subsequent years. Also, resources, such as those found on the Auditor of State's web site at <http://www.ohioauditor.gov/references.html> , should be utilized to further an understanding of financial reporting.

FINDING NUMBER 2015-002

Material Weakness / Noncompliance Citation

Ohio Rev. Code § 5705.09(F) requires that each subdivision establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2014, the District recorded loan proceeds for a pumper truck in the amount of \$280,000 and the related payment of \$278,835 from the Special Revenue Fire Apparatus Fund instead of establishing a Capital Projects Fund.

The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money in a capital projects fund.

The failure to establish the required fund resulted in the material misstatement of financial statements and resulted in the District not spending all of the loan proceeds since the balance of the pumper truck purchase was paid from the Special Revenue SR 2 Fund.

The accounting records have been adjusted to create a capital projects fund to account for the remaining balance of this loan in the amount of \$1,165.

The Fiscal Officer and the Board of Trustees should periodically review the accounting records to help assure the accuracy of the recorded financial transactions and year-end financial statements. The Fiscal Officer should utilize governmental accounting resources such as those which may be found on the Auditor of State website at <http://ohioauditor.gov/> for assistance in recording financial activity.

FINDING NUMBER 2015-003

Noncompliance Citation

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.

FINDING NUMBER 2015-003
(Continued)

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.

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.

The District did not certify the availability of funds prior to commitment or use any of the available exceptions.

Failure to properly certify expenditures could result in the District exceeding budgetary spending limitations and possibly result in deficit spending.

To improve controls over disbursements, and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Fiscal Officer 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. When the "Then and Now" certification is used for amounts equal to or in excess of \$3,000, the Board should approve the payment by resolution within 30 days.

RESPONSE: We did not receive a response from Officials to the findings reported above.

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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
MAY 4, 2017**