



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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 the accompanying financial statements of the Southeast Hardin Northwest Union Joint Fire District, Hardin County (the "District") as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District, as of December 31 2001, and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 6, 2002

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$153,921		\$153,921
Intergovernmental	26,243		26,243
Miscellaneous	11,098		11,098
Interest Checking	530		530
Interest STAR Ohio	3,853		3,853
Interest Certificates of Deposit	1,365		1,365
Rent	1,500		1,500
	<hr/>		<hr/>
Total Cash Receipts	198,510		198,510
Cash Disbursements:			
Administrative			
Salary-Clerk	386		386
Travel & Other Expenses	1,177		1,177
Supplies - Administration	462		462
Equipment - Administration	149		149
Insurance	6,252		6,252
Legal Counsel	4,880		4,880
Workers Compensation	568		568
Auditor's & Treasurer's Fees	4,161		4,161
Contingency Account	848		848
Other Expenses	504		504
Building			
Existing Building	4,779		4,779
New Building	47,503		47,503
Utilities	4,184		4,184
Maintenance Supplies	233		233
Public Safety			
Salaries	6,676		6,676
Equipment Purchases and Replacement	7,161		7,161
Contracts	901		901
Supplies	2,862		2,862
Repairs	12,231		12,231
Other Expenses	2,176		2,176
Building		235,000	235,000
	<hr/>		<hr/>
Total Cash Disbursements	108,093	235,000	343,093
Total Receipts Over/(Under) Disbursements	90,417	(235,000)	(144,583)
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Bonds		235,000	235,000
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	90,417		90,417
Fund Cash Balances, January 1	49,029	0	49,029
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$139,446</u>	<u>\$0</u>	<u>\$139,446</u>

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General Fund
Cash Receipts:	
Local Taxes	\$33,026
Intergovernmental	19,068
Miscellaneous	695
Investments	1,248
From Fire Association	104,749
Grant	6,120
	<u>164,906</u>
Cash Disbursements:	
Administrative	
Salary-Clerk	526
Salary - Administrators	1,215
Travel & Other Expenses	731
Supplies - Administration	258
Equipment - Administration	776
Insurance	5,412
Legal Counsel	825
Workers Compensation	985
Auditor's & Treasurer's Fees	790
Contingency Account	907
Other Expenses	1,142
Public Safety	
Salaries	5,396
Equipment Purchases and Replacement	11,476
Contracts	901
Supplies	3,799
Repairs	4,677
Other Expenses	1,061
Capital Outlay	
Building	75,000
	<u>115,877</u>
Total Cash Disbursements	<u>115,877</u>
Total Receipts Over Disbursements	49,029
Fund Cash Balance, January 1	<u>0</u>
Fund Cash Balance, December 31	<u>\$49,029</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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the "District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed four-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Dudley Township (Hardin County), Hale Township (Hardin County), Washington Township (Union County) and the Village of Mount Victory (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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

District funds included demand deposits, certificates of deposit and STAR Ohio.

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

2. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following Capital Project Fund:

Permanent Improvement Fund – Received proceeds from bonds. The proceeds were used for major building improvements.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND 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:

	2001	2000
Demand deposits	\$593	\$19,029
Certificates of deposit	30,000	30,000
Total deposits	30,593	49,029
STAR Ohio	108,853	
Total deposits and investments	\$139,446	\$49,029

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: 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, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,000	\$198,510	\$27,510
Capital Projects	0	235,000	235,000
Total	<u>\$171,000</u>	<u>\$433,510</u>	<u>\$262,510</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,300	\$108,093	\$79,207
Capital Projects	235,000	235,000	0
Total	<u>\$422,300</u>	<u>\$343,093</u>	<u>\$79,207</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,450	\$164,906	\$106,456

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,500	\$115,877	(\$75,377)

During 2001 and 2000 the District had expenditures that exceeded appropriations at the legal level of control which violates the requirements of Ohio Rev. Code Section 5705.41 (B).

4. PROPERTY TAX

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$235,000	4.95%

The District issued fire district improvement bonds to finance the construction of a new building. The bonds were issued on August 23, 2001 in the amount of \$235,000 and have maturities through December 1, 2009. Annual principal payments are due on December 1 and interest payments are due semi annually on June and December 1 starting in 2002. The bonds are collateralized solely by the District's taxing authority.

	<u>Principal</u>	<u>Interest Rate</u>
Lease Purchase Agreement	\$428,606	5.47%

On March 15, 2001 the District entered into a lease purchase agreement for a new fire truck. Annual principal and interest payments are due starting in 2002 with the final payment due in 2010.

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

	<u>Fire District Improvement Bonds</u>	<u>Lease Purchase Agreement</u>
Year ending December 31:		
2002	\$36,752	\$64,185
2003	36,752	64,185
2004	36,752	64,185
2005	36,752	64,185
2006	36,752	64,185
2007 – 2010	110,256	229,636
Total	\$294,016	\$550,561

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.



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

Southeast Hardin Northwest Union Joint Fire District
Hardin County
P.O. Box 123
Mount Victory, Ohio 43340

To the Board of Trustees:

We have audited the accompanying financial statements of the Southeast Hardin Northwest Union Joint Fire District, Hardin County (the "District") as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 6, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40233-001 through 2001-40233-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 6, 2002.

Southeast Hardin Northwest Union Joint Fire District
Hardin County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

September 6, 2002

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40233-001

Noncompliance Citation

Ohio Rev. Code Sections 153.50 and 153.51 state that when a project is to be contracted out, the entity required to bid such project may group the work to be done into the specifically listed classes before drawing up the bid specifications. The separate classes are: plumbing and gas fitting; steam and hot water heating; ventilating apparatus; steam power plant; and electrical equipment; if the estimated cost of such branch or class of work exceeds \$5,000.

In the situation, however, where an entity is able to bid the entire project in one bid and that bid is lower than the bids are if separately bid by branches or classes, the entity may then bid the project as one single bid. The entity may also bid groups or branches together, but not encompassing the whole project, if the aggregate of the bids is lower than the total sum of the individual bids for the classes or branches included in the single bid. Finally, if bidding the project by classes or groups does not allow the entity to include all the work required into the bids, and grouping classes or groups together would allow the entity to do so, the entity may then aggregate the classes or branches together into a single bid that would allow them to bid out the work required by the project but not otherwise included in the bidding process.

The District constructed a new building for \$235,000 and awarded the bid to a single contractor, without first obtaining separate bids as required by these Ohio Rev. Code Sections.

In future construction contracts, the District should implement procedures to help assure compliance with Ohio Rev. Code Sections for bidding.

FINDING NUMBER 2001-40233-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36 requires an increased amended certificate to be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. When the District received and appropriated bond proceeds in the amount of \$235,000 in 2001, it did not obtain an increased certificate of estimated resources. **Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue available for expenditures there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Although bond proceeds are deemed appropriated, the District did not file amended appropriations with the County Auditor.

The District should implement procedures to help assure compliance with these requirements.

FINDING NUMBER 2001-40233-003

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2001 and 2000, the Districts' General Fund had expenditures exceeded appropriations at the legal level of control.

2001

<u>Legal Level</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Travel & Other Expenses		\$1,177	(\$177)
Insurance	6,000	6,252	(252)
Legal Counsel	3,000	4,880	(1,880)
Auditor's & Treasurer's Fees	2,000	4,161	(2,161)
Contingency	700	848	(148)
Utilities	3,000	4,184	(1,184)
Repairs – Fire Equipment	7,000	12,231	(5,231)

2000

<u>Legal Level</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Travel & Other Expenses	\$600	\$731	(\$131)
Insurance	5,000	5,412	(412)
Purchases and Replacement of Equipment	5,000	11,501	(6,501)

The District should implement monitoring procedures to help assure compliance with this Ohio Rev. Code Section and to help prevent deficit spending.

FINDING NUMBER 2001-40233-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate:

This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

FINDING NUMBER 2001-40233-004
(Continued)

Amounts of less than \$1000 for fire districts may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

One hundred percent of the District's expenditures were not certified prior to making orders for the expenditure of District Funds. In addition, neither of the two exceptions noted above were utilized for these transactions. Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of District funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 17, 2002**