



**Auditor of State
Betty Montgomery**

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northern Union County Fire/EMS District
Union County
101 South Franklin Street
Richwood, Ohio 43344

To the Board of Trustees:

We have audited the accompanying financial statements of the Northern Union County Fire/EMS District (the District) as of and for the years ended December 31, 2003, and December 31, 2002. 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 cash balances of the District, as of December 31, 2003, and December 31, 2002, 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 June 23, 2004, 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.

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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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 23, 2004

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

Cash Receipts:	
Local Taxes	\$256,896
Intergovernmental	54,636
Charges for Services	110,886
Earnings on Investments	5,024
Miscellaneous	<u>7,695</u>
Total Cash Receipts	<u>435,137</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	235,839
Debt Service:	
Redemption of Principal	61,689
Interest	<u>37,223</u>
Total Disbursements	<u>334,751</u>
Total Receipts Over Disbursements	100,386
Cash Balance, January 1	<u>233,032</u>
Cash Balance, December 31	<u><u>\$333,418</u></u>

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

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2002**

Cash Receipts:	
Local Taxes	\$254,218
Intergovernmental	37,986
Charges for Services	19,703
Earnings on Investments	22,846
Miscellaneous	<u>4,226</u>
Total Cash Receipts	<u>338,979</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	375,309
Debt Service:	
Redemption of Principal	48,538
Interest	<u>37,657</u>
Total Disbursements	<u>461,504</u>
Total Receipts (Under) Disbursements	<u>(122,525)</u>
Other Financing Receipts/(Disbursements):	
Proceeds from Loan	<u>7,049</u>
Total Other Financing Receipts	<u>7,049</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(115,476)
Cash Balance, January 1	<u>348,508</u>
Cash Balance, December 31	<u><u>\$233,032</u></u>

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

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northern Union County Fire/EMS District, Union County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed four-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Richwood, Claibourne Township, Jackson Township, and York 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. 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

Investments are recorded as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. 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 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.

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave, unpaid leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN CASH

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 follows:

	2003	2002
Demand deposits	\$162,481	\$67,958
Certificates of deposit	170,937	165,074
Total deposits	\$333,418	\$233,032

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$315,298	\$435,137	\$119,839

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$319,237	\$334,751	(\$15,514)

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$381,100	\$346,028	(\$35,072)

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$330,906	\$461,504	(\$130,598)

At December 31, 2003, and 2002, expenditures exceeded appropriations by \$15,514 and \$130,598, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Note	\$637,059	5%

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

The District issued a general obligation note to finance the construction of the fire house. The note was issued on a "draw basis" for an amount up to \$750,000. As of December 31, 2003, the District had received \$749,559 of note proceeds.

The District has also entered into a capitalized lease for a fire/emergency vehicle. The lease was originally entered into by the Village of Richwood. When the Village of Richwood, Claibourne Township, York Township, and Jackson Township formed the Fire District, the lease was assumed by the District. The annual lease payment, including interest is \$14,068, and is due on December 21 of each year.

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

	<u>G.O. Note</u>	<u>Capital Lease</u>
Year ending December 31:		
2004	\$69,906	\$14,068
2005	67,031	
2006	65,156	
2007	63,281	
2008	61,406	
2009-2013	278,906	
2014-2018	232,031	
2019-2020	79,688	
Total	<u>\$917,405</u>	<u>\$14,068</u>

6. RETIREMENT SYSTEMS

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. PERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Northern Union County Fire/EMS District has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENT

On June 22, 2004, the District paid an employee \$10,579.92 in settlement costs for unlawful discriminatory practices. The Ohio Civil Rights Commission and the District reached an agreement for back pay plus interest, and also lawyer fees, in order to settle a wrongful forced retirement of an employee of the District.

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Auditor of State Betty Montgomery

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

Northern Union County Fire/EMS District
Union County
101 South Franklin Street
Richwood, Ohio 43344

To the Board of Trustees:

We have audited the accompanying financial statements of the Northern Union County Fire/EMS District (the District) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated June 23, 2004. 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 2003-001 and 2003-002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-003 and 2003-004.

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.

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Northern Union County Fire/EMS District
Union County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that are reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also 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 June 23, 2004.

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.



Betty Montgomery
Auditor of State

June 23, 2004

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Certification of Expenditures

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. 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 should be considered null and void.

This section also provides two exceptions to the above requirements.

- A. Then and Now certificate – if no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board of Trustees may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$3,000 (\$1,000 for expenditures before April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

The District did not certify the availability of funds, nor were any expenditures certified using then-and-now certification. This procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board of Trustees.

FINDING NUMBER 2003-002

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a Fire District from making expenditures unless they have been appropriated.

During 2002 and 2003, the District’s expenditures exceeded appropriations as follows:

Year	Appropriated	Expenditures	Variance
2002	\$330,906	\$461,504	(\$130,598)
2003	\$319,237	\$334,751	(\$15,514)

It is recommended the Clerk monitor the expenditures throughout the year to ensure that they do not exceed the appropriations approved by the Board of Trustees. Shortfalls should be reported to the Board for possible amendments to the appropriation resolution.

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003

Entity Ledgers/Bank Reconciliations

The District uses Quickbooks as its accounting system. Not all transactions posted in Quickbooks are properly rolling up into the trial balances, and ending fund balances are not being properly reconciled to bank statements. Accurate financial statements and bank reconciliations can not be prepared and proper board monitoring over financial activity can not take place if all transactions from the ledgers do not roll up accurately to the trial balances.

We recommend the District review the set-up of its Quickbooks accounting system to ensure that all transactions roll up into the trial balances and that the balances from Quickbooks reconcile to the bank statements to help ensure proper accountability over all District funds.

FINDING NUMBER 2003-004

Segregation of Duties

The Fire Chief's bi-weekly timesheets are not reviewed or approved by the Clerk or the Board of Trustees. In addition, the Fire Chief is responsible for maintaining and accounting for his own vacation, sick, and compensatory leave balances.

Lack of review and approval over individual timesheets and leave balances could lead to errors and irregularities occurring and going undetected by management.

We recommend that all timesheets be reviewed and approved by the District's Clerk or the Board of Trustees. In addition, all employee leave balances should be maintained and accounted for by the Clerk to help ensure balances are accurate.

**NORTHERN UNION COUNTY FIRE/EMS DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40680-001	Revised Code 5705.41(D)	No	Not corrected, Repeated
2001-40680-002	Revised Code 135.18	Yes	
2001-40680-003	SAS 70 Report	Yes	

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**Auditor of State
Betty Montgomery**

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NORTHERN UNION COUNTY FIRE/EMS DISTRICT

UNION 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
JULY 27, 2004**