



**Auditor of State
Betty Montgomery**

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – General Fund – For the Years Ended December 31, 2003 and 2002.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Year Findings	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
New Paris, Ohio 45347

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the District's management.

The District legal counsel declined to provide written representations regarding litigation, claims and assessments against the District. Since the District legal counsel did not provide a written representation related to litigation, claims and assessments against the District, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

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 accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 engagement performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

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".

Betty Montgomery
Auditor of State

December 8, 2004

This page intentionally left blank.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Cash Receipts:		
Local Taxes	\$169,775	\$168,240
Intergovernmental	36,948	84,104
Charges for Services	87,046	33,520
Earnings on Investments	1,155	3,611
Miscellaneous	6,642	2,584
Total Cash Receipts	301,566	292,059
Cash Disbursements:		
Current:		
Security of Persons and Property	173,703	85,179
General Government	57,627	48,598
Debt Service:		
Redemption of Principal	0	160,402
Interest	0	8,097
Total Disbursements	231,330	302,276
Total Receipts Over (Under) Disbursements	70,236	(10,217)
Fund Cash Balances, January 1	89,818	100,035
Fund Cash Balances, December 31	\$160,054	\$89,818

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

This page intentionally left blank.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northwest Fire and Ambulance District, Preble 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 five-member Board of Trustees. 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 Deposits

The District only has a checking account.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District has no funds that are required to be segregated, and therefore accounts for all cash and deposits in the 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.

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.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by law. However, there were no material outstanding encumbrances at December 31, 2003 and 2002.

A summary of 2003 and 2002 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 DEPOSITS

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

	<u>2003</u>	<u>2002</u>
Demand Deposits	<u>\$160,054</u>	<u>\$89,818</u>

Deposits are insured by the Federal Depository Insurance Corporation. Amounts exceeding \$100,000 were uncollateralized during parts of 2002 and 2003, contrary to Ohio law.

Contrary to Chapter 135, Ohio Revised Code, deposits ranging in amounts from \$744 to \$171,223 were not insured or collateralized during 2002 and 2003.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$316,757	\$301,566	(\$15,191)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$390,000	\$231,330	\$158,670

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$204,360	\$292,059	\$87,699

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$197,360	\$302,276	(\$104,916)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$104,916 in for the year ended December 31, 2002.

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.

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.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Lease/Purchase	\$251,433	3.67%

In September 2003, the District entered into a lease/purchase agreement for a new fire pumper. The agreement calls for annual payments of \$47,450 beginning in 2004 and ending in 2009. Balances not paid when due are subject to past due interest at the rate of eighteen percent per year or the highest rate permitted by law, whichever is less. If default on lease should occur, the title of the pumper will revert back to the lessor.

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

	<u>Lease/Purchase</u>
Year ending December 31:	
2004	\$47,450
2005	47,450
2006	47,450
2007	47,450
2008	47,450
2009	47,449
Total	\$284,699

6. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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, PERS members 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.

7. RISK MANAGEMENT

Commercial Insurance

The Northwest Fire and Ambulance District has obtained commercial insurance for the following risks:

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



Auditor of State Betty Montgomery

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

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
New Paris, Ohio 45347

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated December 8, 2004. Our report indicated that because we did not obtain certain representations from the District's legal counsel, we did not express an opinion on the financial statements.

Compliance

As part of our procedures, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001, 2003-002, and 2003-003. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 8, 2004.

Internal Control Over Financial Reporting

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. 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. Our consideration of the internal control over financial reporting 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 the management of the District in a separate letter dated December 8, 2004.

This report is intended solely for the information and use of management and 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

December 8, 2004

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

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

FINDING NUMBER 2003-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated.

The District had expenditures that exceeded appropriations in the General Fund by \$104,916 in 2002.

Failure to properly monitor appropriations and amend appropriations could result in the illegal expenditure of money.

We recommend the District take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditures should be made unless there are sufficient appropriations to cover the expenditures.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 135.18, requires that the treasurer of a political subdivision must require a depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The District's deposits at Eaton National Bank were not adequately covered by collateral for ten months in 2002 and ten months in 2003. Amounts exceeding coverage range in amounts from \$744 to \$171,223.

Failure to adequately collateralize deposits could lead to a loss of deposits in the event of bank failure.

The District should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times. We recommend that the District obtain collateral statements from applicable depositories quarterly.

FINDING NUMBER 2003-003

Material Noncompliance and Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2003-003
(Continued)**

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 as of April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds for purchase commitments for 53% of expenditures tested. The District did not utilize Then and Now Certificates. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-004

Reportable Condition

The financial report of the District was not properly prepared. The following items were noted during our audit:

- The money market savings account was not carried on the 2002 financial report.
- Debt activity was not properly accounted for on the 2002 financial report.
- The 2002 financial report did not total correctly.
- Line item classifications were not used properly for 2002 and 2003.

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves proper procedures are followed by the fiscal officer. For each regular Board meeting, the Clerk should provide the Trustees with detailed budget and actual statements, lists of investments, cash balances, checks paid, and bank reconciliations. These periodic reviews should be noted in the minutes and documents should be reviewed and initialed by the reviewer. Material line item reclassifications were noted in the financial statements accompanying this report.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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>
2001-30368-001	Revised Code 5705.41(B) expenditures exceeded appropriations	No	Not corrected. Reissued as Finding No.2003-001.
2001-30368-002	Revised Code 135.18, inadequate security for public monies	No	Not corrected. Reissued as Finding No. 2003-002.
2001-30368-003	Revised Code 5705.41(D), failure to certify funds	No	Not corrected. Reissued as Finding No. 2003-003.
2001-30368-004	Inadequate control procedures over ambulance billings	Yes	
2001-30368-005	Incorrect preparation of the District's annual financial report	No	Partially corrected. Reissued as Finding No. 2003-004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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 28, 2004**