



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 Southeast Hardin Northwest Union Joint Fire District, Hardin County, (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. 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, 2003 and 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 November 24, 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.

This report is intended solely for the information and use of the audit committee, 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

November 24, 2004

**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, 2003**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$33,857	\$123,871	\$157,728
Intergovernmental	4,208	16,020	20,228
Miscellaneous	8,199		8,199
Interest Checking	3,219		3,219
Interest STAR Ohio	28		28
Interest Certificates of Deposit	594		594
Grants	11,500		11,500
	<u>61,605</u>	<u>139,891</u>	<u>201,496</u>
Total Cash Receipts	<u>61,605</u>	<u>139,891</u>	<u>201,496</u>
Cash Disbursements:			
Administrative			
Salary-Clerk	2,083		2,083
Travel & Other Expenses	1,368		1,368
Supplies - Administration	810		810
Equipment - Administration	1,107		1,107
Insurance	10,943		10,943
Legal Counsel	289		289
Workers Compensation	2,178		2,178
Auditor's & Treasurer's Fees	937	3,417	4,354
Contingency Account	433		433
Other Expenses	14,220		14,220
Assessments/Contributions	300		300
Building			
Salary	694		694
New Building	6,793		6,793
Utilities	7,459		7,459
Maintenance Supplies	1,069		1,069
Public Safety			
Salaries	12,660		12,660
Equipment Purchases and Replacement	27,401		27,401
Fire Equipment Lease		64,185	64,185
Contracts	1		1
Supplies	3,576		3,576
Repairs	5,241		5,241
Other Expenses	2,052		2,052
Principal		26,206	26,206
Interest		10,546	10,546
	<u>101,614</u>	<u>104,354</u>	<u>205,968</u>
Total Cash Disbursements	<u>101,614</u>	<u>104,354</u>	<u>205,968</u>
Receipts Over (Under) Cash Disbursements	(40,009)	35,537	(4,472)
Fund Cash Balances, January 1	<u>117,687</u>	<u>31,448</u>	<u>149,135</u>
Fund Cash Balances, December 31	<u>\$77,678</u>	<u>\$66,985</u>	<u>\$144,663</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$33,264	\$119,847	\$153,111
Intergovernmental	4,108	15,653	19,761
Miscellaneous	8,888		8,888
Interest Checking	2,367		2,367
Interest Star Ohio	574		574
Interest Investments	755		755
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	49,956	135,500	185,456
Cash Disbursements:			
Administrative			
Salary-Clerk	1,100		1,100
Travel & Other Expenses	739		739
Supplies - Administration	619		619
Equipment - Administration	1,005		1,005
Insurance	9,807		9,807
Workers Compensation	50		50
State Auditor's Charge	3,035		3,035
Auditor's & Treasurer's Fees	821	3,110	3,931
Contingency Account	190		190
Other Expenses	5,757		5,757
Assessments/Contributions	17		17
Building			
New Building & Addition	18,480		18,480
Utilities	5,470		5,470
Maintenance Supplies	742		742
Public Safety			
Salaries	12,043		12,043
Equipment Purchases and Replacement	4,559		4,559
Fire Equipment Lease		64,185	64,185
Contracts	1		1
Supplies	2,919		2,919
Repairs	3,795		3,795
Other Expenses	566		566
Principal		21,953	21,953
Interest		14,804	14,804
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	71,715	104,052	175,767
Total Receipts Over (Under) Disbursements	(21,759)	31,448	9,689
Fund Cash Balances, January 1	139,446		139,446
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$117,687	\$31,448	\$149,135

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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The 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 which consists of 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 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

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. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Capital Improvement Levy Fund. This fund is used to account for the proceeds of a tax levy that is restricted to fire apparatus, appliances, buildings, or sites.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

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 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:

	2003	2002
Demand deposits	\$112,108	\$116,608
Certificates of deposit	30,000	30,000
Total deposits	142,108	146,608
 STAR Ohio	 2,555	 2,527
Total deposits and investments	\$144,663	\$149,135

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the District

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN 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	\$193,718	\$61,605	(\$132,113)
Special Revenue	139,891	139,891	0
Total	<u>\$333,609</u>	<u>\$201,496</u>	<u>(\$132,113)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,255	\$101,614	\$127,641
Special Revenue	104,354	104,354	0
Total	<u>\$333,609</u>	<u>\$205,968</u>	<u>\$127,641</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,190	\$49,956	(\$132,234)
Special Revenue	135,500	135,500	0
Total	<u>\$317,690</u>	<u>\$185,456</u>	<u>(\$132,234)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$209,869	\$71,715	\$138,154
Special Revenue	104,052	104,052	0
Total	<u>\$313,921</u>	<u>\$175,767</u>	<u>\$138,154</u>

The District failed to record a restricted levy in a special revenue fund which violated the requirements of Ohio Rev. Code Section 5705.10.

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, 2003 AND 2002
(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.

Hardin and Union Counties 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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$186,841	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.

The District was required to pass a tax levy to fund this debt and to establish a fund to service the debt. The District established a Special Revenue Fund to record the proceeds of the required levy and to make the debt payments.

	Principal	Interest Rate
Lease Purchase Agreement	\$344,896	5.47%

On March 15, 2001 the District entered into a lease purchase agreement, in the amount of \$428,606, for a new fire truck. The final payment is due in 2010.

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

	Fire District Improvement Bonds	Lease Purchase Agreement
Year ending December 31:		
2004	\$36,752	\$64,185
2005	36,752	64,185
2006	36,752	64,185
2007	36,752	57,409
2008	36,752	57,409
2009 – 2010	36,752	114,818
Total	\$220,512	\$422,191

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT
HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the financial statements of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the "District"), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated November 24, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 24, 2004.

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. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

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 matters in the internal control that might be 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 condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 24, 2004.

This report is intended solely for the information and use of the audit committee, management, and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 24, 2004

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002 13**

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenues derived from a special levy are to be credited to a special fund for the purpose for which the levy was made. On November 7, 2000, electors of the District authorized a levy for the purpose of providing and maintaining fire apparatus, appliances, buildings, or sites. The District recorded the proceeds of this levy, along with the related intergovernmental revenues, in the general fund instead of establishing a separate fund. The District has made the necessary adjustment to increase/decrease fund balances to correctly record the proceeds of this levy. The financial statements in this report reflect this adjustment. The adjustment had the following effect upon the revenues of the respective funds:

Fund	2003	2002
General Fund	(\$139,891)	(\$135,500)
Special Revenue Fund	\$139,891	\$135,500

In addition to adjusting the revenues for 2003 and 2002, the District has moved expenditures that are allowed to be paid from this tax levy from the General Fund to the Special Revenue Fund. The financial statements in this report reflect this adjustment and had the following effect on the expenditures of the respective funds:

Fund	2003	2002
General Fund	\$104,354	\$104,052
Special Revenue Fund	(\$104,354)	(\$104,052)

Control procedures should be implemented to help assure that the proceeds of tax levies are recorded in the correct fund.

FINDING NUMBER 2003-002

**Reportable Condition
Proper Use of Public Money**

To help assure the proper use of public money, expenditures should only be made to vendors after the entity has received the goods and/or services. On November 17, 2003, the District loaned the Hardin County Firefighters Association \$12,276 to help this organization obtain a grant to purchase firefighting equipment. This loan was repaid and deposited into the District's bank account on March 17, 2004. Although the intent and outcome of this loan appears to have resulted in a benefit to the general public, this practice weakens the District's ability to prevent the misuse and/or loss of public money.

The District should not loan money to other organizations, individuals, or employees. The expenditure of money for any purpose other than goods and/or services that have been received by the District could result in District personnel being liable for the illegal expenditure of money.

FINDING NUMBER 2003-002
(Continued)

In addition, the District should consult with its legal counsel when considering financial transactions with volunteer associations. As a source of reference, the District should review Ohio Const. Art. VIII, Sec. 6, Part 8 which prohibits the loaning of money by some local governments to associations, and Atty. Gen. Opinions 83-069, 89-010 and 2002-031 which address transactions with private organizations. If necessary, the District should seek an opinion from the Attorney General.

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

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40233-001	ORC Sec. 153.50 and 153.51 – Failure to properly bid of contracts	Yes	
2001-40233-002	ORC Sec. 5705.36 - Appropriations should not exceed estimated revenue.	Yes	
2001-40233-003	ORC Sec. 5705.41(B) – Appropriations exceeded expenditures	No	Partially corrected; repeated in management letter
2001-40233-004	ORC Sec. 5705.41(D) - Certification of expenditures	Yes	



**Auditor of State
Betty Montgomery**

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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
DECEMBER 28, 2004**