



**HOLMES FIRE DISTRICT NO. 1
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HOLMES FIRE DISTRICT NO. 1
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REPORT OF INDEPENDENT ACCOUNTANTS

Holmes Fire District No. 1
Holmes County
8478 SR 39 West
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Holmes Fire District No. 1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide 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.

As discussed in Note 8 to the financial statements, in the prior year, the Special Revenue Fire/EMS Levy Fund was erroneously combined with the General Fund. The beginning balances in the General Fund and Special Revenue fund were restated as of January 1, 1998.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the District, as of December 31, 1999 and 1998, 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 August 14, 2000 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.

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 Section 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", written in a cursive style.

Jim Petro
Auditor of State

August 14, 2000

**HOLMES FIRE DISTRICT NO. 1
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$133,406	\$146,181	\$279,587
Intergovernmental	12,184	13,743	25,927
Charges for Services	75,982		75,982
Interest	2,564		2,564
Rentals	50		50
Donations	2,768		2,768
Other	10,863		10,863
Total Cash Receipts	<u>237,817</u>	<u>159,924</u>	<u>397,741</u>
Cash Disbursements:			
Current:			
General Government	194,163		194,163
Miscellaneous	73,633		73,633
Capital Outlay	13,828	44,339	58,167
Total Cash Disbursements	<u>281,624</u>	<u>44,339</u>	<u>325,963</u>
Total Cash Receipts (Under)/Over Cash Disbursements	<u>(43,807)</u>	<u>115,585</u>	<u>71,778</u>
Fund Cash Balances, January 1	<u>105,378</u>	<u>(8,109)</u>	<u>97,269</u>
Fund Cash Balances, December 31	<u>\$61,571</u>	<u>\$107,476</u>	<u>\$169,047</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**HOLMES FIRE DISTRICT NO. 1
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$133,596	\$152,079	\$285,675
Intergovernmental	12,099	13,644	25,743
Charges for Services	76,502		76,502
Interest	2,696		2,696
Rentals	675		675
Donations	3,015		3,015
Other	21,109		21,109
	<u>249,692</u>	<u>165,723</u>	<u>415,415</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	179,464		179,464
Miscellaneous	76,528	29,183	105,711
Debt Service:			
Redemption of Principal		50,000	50,000
Interest and Fiscal Charges		1,161	1,161
Capital Outlay	55,992	92,510	148,502
	<u>311,984</u>	<u>172,854</u>	<u>484,838</u>
Total Cash Disbursements			
Total Cash Receipts Under Cash Disbursements	<u>(62,292)</u>	<u>(7,131)</u>	<u>(69,423)</u>
Other Financing Receipts:			
Proceeds of Loan		50,000	50,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(62,292)	42,869	(19,423)
Fund Cash Balances, January 1, Restated Note 8	<u>167,670</u>	<u>(50,978)</u>	<u>116,692</u>
Fund Cash Balances, December 31	<u>\$105,378</u>	<u>(\$8,109)</u>	<u>\$97,269</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**HOLMES FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Holmes Fire District No. 1, Holmes 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 appointed representatives from four political subdivisions consisting of the Village of Millersburg, Hardy Township, Mechanic Township and Monroe Township. The Board of Trustees consists of five members, one member from each subdivision and one member at large whose appointment is made by one individual subdivision within the District on a yearly rotational basis. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide the subdivisions adequate and responsible fire protection and emergency medical services.

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 cash 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

The Fire District maintains all cash in a checking account.

D. Fund Accounting

The District uses fund accounting to segregate cash that is 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 by law or contract to be restricted.

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Fire Levy Fund - This fund accounts for the tax proceeds of a special operating levy used to provide fire protection and emergency medical services to the participating Townships and Village.

**HOLMES FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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. Unencumbered appropriations lapse at year end.

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 carried over, and need not be reappropriated.

The District did not use the encumbrance method of accounting during 1999 and 1998.

A summary of 1999 and 1998 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 169,047	\$ 97,269

HOLMES FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 217,722	\$ 237,817	\$ 20,095
Special Revenue	<u>143,353</u>	<u>159,924</u>	<u>16,571</u>
Total	<u>\$ 361,075</u>	<u>\$ 397,741</u>	<u>\$ 36,666</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 323,100	\$ 281,624	\$ 41,476
Special Revenue	<u>135,244</u>	<u>44,339</u>	<u>90,905</u>
Total	<u>\$ 458,344</u>	<u>\$ 325,963</u>	<u>\$ 132,381</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 151,430	\$ 249,692	\$ 98,262
Special Revenue	<u>228,348</u>	<u>215,723</u>	<u>(12,625)</u>
Total	<u>\$ 379,778</u>	<u>\$ 465,415</u>	<u>\$ 85,637</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 319,100	\$ 311,984	\$ 7,116
Special Revenue	<u>177,370</u>	<u>172,854</u>	<u>4,516</u>
Total	<u>\$ 496,470</u>	<u>\$ 484,838</u>	<u>\$ 11,632</u>

The District did not certify the availability of funds for expenditures during 1999 and 1998, contrary to Ohio Rev. Code Section 5705.41(D).

HOLMES FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

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.

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.

5. DEBT

The District borrowed \$50,000 at 6.00% interest from Commercial Savings Bank on April 24, 1998, for a term of 8 months for the purpose of purchasing a new squad. Interest and principal payments were paid monthly to the Commercial Savings Bank. Total principal and interest paid in 1998 was \$51,161.

6. RETIREMENT SYSTEMS

The District's full-time paramedics belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The District contributed an amount equal to 19.5% of their wages. 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, 1999.

HOLMES FIRE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

The District also provides health insurance and dental coverage to full-time employees through a private carrier.

8. RESTATEMENT OF PRIOR YEAR BALANCES

In the prior year, the Special Revenue Fire/EMS Levy Fund was erroneously combined with the general fund. During the current year, monies generated from the special tax levy were reported in a special revenue fund. This change generated a negative beginning special revenue fund balance of \$50,978; and increased the general fund beginning fund balance by \$50,978.

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

Holmes Fire District No. 1
Holmes County
8478 SR 39 West
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Holmes Fire District No. 1, Holmes County, Ohio (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 14, 2000 in which we noted the General Fund and Special Revenue Fund were restated. We conducted our audits in accordance with generally accepted auditing standards 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 audits 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* and is described in the accompanying Schedule of Findings as item 1999-40938-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 condition is described in the accompanying Schedule of Findings as item 1999-40938-002.

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 believe the reportable condition described above is not a material weakness.

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 August 14, 2000.

This report is intended 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", with a large, stylized loop at the end.

Jim Petro
Auditor of State

August 14, 2000

**HOLMES FIRE DISTRICT NO. 1
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-40938-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditures of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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 contract or order and at the time the certificate was appropriated, free of any previous encumbrances, the Board of Trustees 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, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the transactions tested, 100% for both 1999 and 1998 were not certified by the Clerk prior to the commitment date of the expenditure. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The District should establish procedures to ensure that all expenditures are certified prior to their obligation.

Finding Number	1999-40938-002
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REPORTABLE CONDITION

Squad Billing Receipts

The following items were noted during our testing of the Charges for Services receipts:

- A formal policy did not exist which established billing rates for the squad runs
- A formal policy did not exist which documented the manner in which the Board bills and collects the squad run fees
- A formal policy did not exist which documented the length of time accounts are maintained within the records until they are written off

The lack of policies resulted in the Board not adequately monitoring the squad runs and subsequent billings.

Finding Number	1999-40938-002
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Squad Billing Receipts (continued)

The Board should consider the following to enhance their ability to monitor squad runs and billing activities:

- A fee structure should be adopted
- A policy should be developed to ensure all squad runs are billed, subsequently collected or written off. The policy should address the length of time accounts will remain outstanding before they are written off. The policy should also document which employees and/or Board members are authorized to write off accounts



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HOLMES FIRE DISTRICT NO. 1

HOLMES 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
SEPTEMBER 12, 2000**