



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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

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## REPORT OF INDEPENDENT ACCOUNTANTS

Northern Union County Fire/EMS District  
Union County  
602 North 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, Union County, Ohio, (the District) as of and for the years ended December 31, 2001, and December 31, 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 cash balances of the District, as of December 31, 2001, and December 31, 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 February 22, 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.

**JIM PETRO**  
Auditor of State

February 22, 2002

**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, 2001**

<b>Cash Receipts:</b>	
Local Taxes	\$255,746
Intergovernmental	41,089
Charges for Services	47,871
Earnings on Investments	12,442
Miscellaneous	<u>711</u>
Total Cash Receipts	<u>357,859</u>
<b>Cash Disbursements:</b>	
Current:	
Security of Persons and Property	976,324
Debt Service:	
Redemption of Principal	37,500
Interest	5,673
Total Disbursements	<u>1,019,497</u>
Total Receipts Over/(Under) Disbursements	<u>(661,638)</u>
<b>Other Financing Receipts:</b>	
Proceeds from Loan	<u>742,510</u>
Total Other Financing Receipts	<u>742,510</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	80,872
Cash Balance, January 1	<u>267,636</u>
<b>Cash Balance, December 31</b>	<b><u><u>\$348,508</u></u></b>

*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, 2000**

**Cash Receipts:**

Local Taxes	\$244,936
Intergovernmental	243,163
Charges for Services	37,851
Earnings on Investments	1,972
Miscellaneous	<u>4,042</u>

Total Cash Receipts 531,964

**Cash Disbursements:**

Current:	
Security of Persons and Property	250,260
Debt Service:	
Redemption of Principal	10,388
Interest	<u>3,680</u>

Total Disbursements 264,328

Total Receipts Over/(Under) Disbursements 267,636

Cash Balance, January 1 0

**Cash Balance, December 31** **\$267,636**

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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Northern Union County Fire/EMS District, Union 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 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 included in cash balances. 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 unencumbered 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, 2001 AND 2000  
(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.

As the District did not adopt appropriations or estimate revenue in its first year of operations, a summary of budgetary activity is presented in Note 3 for 2001 only.

**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.

**2. CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$123,508	\$7,636
Certificates of deposit	225,000	260,000
Total deposits and investments	348,508	267,636

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the District. However, the District had uncollateralized deposits of \$108,067 at December 31, 2001.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2001 is as follows:

Budgeted Receipts	Actual Receipts	Variance
\$367,150	\$1,100,369	\$733,219

  

Appropriation Authority	Budgetary Expenditures	Variance
\$1,104,533	\$1,019,497	\$85,036

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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 payment, 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, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$742,510	5%

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, 2001, the District had received only \$742,510 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. At December 31, 2001, the District had not yet paid its 2001 payment. Therefore, two payments are reflected in the schedule below for 2002.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee.

Amortization of the above note payable and capital lease, including interest, is scheduled as follows:

Year ending December 31:	G.O. Note	Capital Lease
2002	\$72,282	\$28,136
2003	70,407	14,068
2004	68,532	14,068
2005	66,657	0
2006	64,782	0
2007 - 2011	295,784	0
2012 - 2016	248,909	0
2017 - 2020	157,887	0
Total	\$1,045,240	\$42,204

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

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

**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 2001 and 2000, 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 through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000. The District has paid all contributions required through December 31, 2001.

**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.



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

Northern Union County Fire/EMS District  
Union County  
602 North Franklin Street  
Richwood, Ohio 43344

To the Board of Trustees:

We have audited the accompanying financial statements of Northern Union County Fire/EMS District, Union County, Ohio, (the District) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated February 22, 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 2001-40680-001 and 2001-40680-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 22, 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. 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 2001-40680-003.

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. We believe the reportable condition described above is 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 February 22, 2002.

Northern Union County Fire/EMS District  
Union 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.

**JIM PETRO**  
Auditor of State

February 22, 2002

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

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>2001-40680-001</b>	
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**Certification of Expenditures**

Ohio Revised Code § 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 total 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 appropriated fund free from any previous encumbrance. This section 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 appropriated and free of any previous encumbrance, the governing authority may authorize the issuance of a warrant in payment of the amount due upon such contracts or order by resolution within 30 days from the receipt of such certificates, if such expenditure is otherwise valid.
  
- B. If the amount is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the governing authority, if such expenditure is otherwise valid.

The District did not utilize purchase orders to encumber funds, nor were any expenditures certified using a 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's funds being over expended or exceeding budgetary spending limitations as set by the Board of Trustees.

<b>2001-40680-002</b>	
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**Pledge Collateral**

Ohio Rev. Code Section 135.18 states the treasurer shall require a public depository to pledge security for the repayment of all public moneys deposited in the public depository. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. Ohio Rev. Code Section 135.181 also allows, in lieu of the pledging requirements prescribed in section 135.18 of the Revised Code, a public depository may pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total value of the securities so pledged, is at least equal to one hundred five percent of the total amount of all public deposits to be secured by the pooled securities, including the portion of such deposits covered by any federal deposit insurance.

The District had uncollateralized deposits of \$108,067 at December 31, 2001.

We recommend the District monitor its depository balances in relation to pledged security to ensure all deposits are properly secured.

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<b>2001-40680-003</b>	
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**Third Party Administrator SAS 70 Report**

The District has delegated emergency medical billing processing, which is a significant accounting function, to a third-party administrator. This administrator is responsible for calculating, preparing, and mailing the bills on behalf of the District. The District, however, has not established procedures to reasonably determine that emergency medical billings have been completely and accurately processed.

We recommend that the District implement procedures to reasonably assure the completeness and accuracy of emergency medical billings processed by its third-party administrator. Statement on Auditing Standards No. 70 prescribes standards for reporting on the processing (e.g. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the District with an appropriate level of assurance that emergency medical run billings are being processed correctly. We recommend the District specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
MARCH 26, 2002**