



**Auditor of State
Betty Montgomery**

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northeast Champaign County Fire District
Champaign County
60 E. Maple Street
PO Box 142
North Lewisburg, OH 43060

To the Board of Trustees:

We have audited the accompanying financial statements of the Northeast Champaign County Fire District (the District) as of and for the years ended December 31, 2002 and 2001. 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.

Except as discussed in the following paragraph, 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.

Charges for services reported in the General Fund Type are processed by a service organization that is independent of the District. The service organization did not provide us with information we requested regarding the design or proper operation of its internal control relative to processing the District's charges for services transactions. We are unable to perform procedures to satisfy ourselves as to the proper processing of ambulance billings recorded as charges for services. Those charges for services represent 19% of the receipts for the General Fund Type in 2002, and 14% in 2001.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding charges for services, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Northeast Champaign County Fire District, Champaign County, as of December 31, 2002 and 2001, 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 May 2, 2003, 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

May 2, 2003

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

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

	General
Cash Receipts:	
Local Taxes	\$257,280
Intergovernmental	30,110
Charges for Services	70,686
Earnings on Investments	3,506
Miscellaneous	12,133
Total Cash Receipts	373,715
Cash Disbursements:	
Current:	
General Government	276,609
Debt Service:	
Redemption of Principal	37,500
Interest	7,031
Total Disbursements	321,140
Total Receipts Over/(Under) Disbursements	52,575
Fund Cash Balance, January 1	120,878
Fund Cash Balance, December 31	\$173,453
Reserves for Encumbrances, December 31	\$6,508

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

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General
Cash Receipts:	
Local Taxes	\$181,024
Intergovernmental	19,379
Charges for Services	34,309
Earnings on Investments	5,375
Miscellaneous	10,190
Total Cash Receipts	250,277
Cash Disbursements:	
Current:	
General Government	223,786
Debt Service:	
Redemption of Principal	37,500
Interest	9,375
Total Disbursements	270,661
Total Receipts (Under) Disbursements	(20,384)
Fund Cash Balance, January 1	141,262
Fund Cash Balance, December 31	\$120,878
Reserves for Encumbrances, December 31	\$3,898

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

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northeast Champaign County Fire District, Champaign 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 eight-member Board of Trustees. Two board members are appointed by each political subdivision within the District. Those subdivisions are Rush Township, Wayne Township, Village of North Lewisburg and Village of Woodstock. 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

Certificates of deposits are valued at cost.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund into the following type:

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.

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 function 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.

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 carried over, and need not be reappropriated.

A summary of 2002 and 2001 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. Accumulated Leave

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

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:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$90,953	\$38,378
Certificates of deposit	82,500	82,500
Total deposits	<u>\$173,453</u>	<u>\$120,878</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,335	\$373,715	\$76,380

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$373,322	\$327,648	\$45,674

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,200	\$250,277	\$48,077

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$342,749	\$274,559	\$68,190

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.

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Bonds	75,000	6.25%
Total	\$75,000	

The District issued general obligation bonds to finance the purchase of a new fire truck. The bonds were issued on August 28, 2000 in the amount of \$150,000 and have maturities through December 1, 2004. The bonds are collateralized solely by the District's taxing authority.

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

	General Obligation Bonds
Year ending December 31:	
2003	42,187
2004	39,844
Total	\$82,031

6. RETIREMENT SYSTEMS

Some of the District's 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 prescribed by the Ohio Revised Code. The District's PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles

8. CONTINGENT LIABILITIES

The District is named as a defendant in litigation with a former employee over asserted unpaid overtime. The District is represented by legal counsel in this litigation. An unfavorable outcome, should it occur, would have a significant impact on the cash balance of the District.



**Auditor of State
Betty Montgomery**

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

Northeast Champaign County Fire District
Champaign County
60 E. Maple St.
PO Box 142
North Lewisburg, OH 43060

To the Board of Trustees:

We have audited the accompanying financial statements of Northeast Champaign County Fire District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 2, 2003, which was qualified since certain information relating to the General Fund charges for services was not available to be audited. Except for this matter, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 matter involving 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 efficiencies in the design or operation of the internal control over financial reporting that, in our judgement, 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 2001-001.

**Internal Control Over Financial Reporting
(Continued)**

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 consider the reportable condition described above to be 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 May 2, 2003.

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

May 2, 2003

**NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Emergency Medical Services Billings and Service Organization

The District has delegated emergency medical services (EMS) billing and collection services to a third-party administrator. The Fire Department prepared individual EMS run forms which were submitted to the service organization for billing and collection. Payments were received by the District Clerk and posted to the general ledger. However, the District did not perform any reconciliation or monitoring of the amounts received versus the amounts submitted to be billed and collected. Additionally, the District did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that these services have not been completely and accurately processed in accordance with the District's contract.

The District should develop and implement procedures to monitor the service organization's processing of the District's EMS accounts for reasonableness. This procedure should provide assurance over the completeness and accuracy of billing and should reduce the risk of errors or omissions by the service organization. This may be accomplished by an annual audit of the service provider processing. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. 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 EMS billings are being processed in conformance with the contract. The District should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS #70 audit report be performed and 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. The District should be provided a copy of the SAS 70 report timely and should review the report's content.



**Auditor of State
Betty Montgomery**

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NORTHEAST CHAMPAIGN COUNTY FIRE DISTRICT

CHAMPAIGN 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
AUGUST 12, 2003**