



**Auditor of State
Betty Montgomery**

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northern Hardin County Fire District
Hardin County
121 S. Buckeye Street
Dunkirk, Ohio 45836

To the Board of Trustees:

We have audited the accompanying financial statements of the Northern Hardin County Fire District, Hardin County (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.

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 and reserves for encumbrances of the District, 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 June 6, 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 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

June 6, 2003

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

Cash Receipts:

| | |
|-------------------------|-------------------|
| Local Taxes | \$41,887 |
| Intergovernmental | 7,020 |
| Earnings on Investments | 353 |
| Miscellaneous | <u>1,436</u> |
| Total Cash Receipts | <u>50,696</u> |

Cash Disbursements:

| | |
|------------------------------|-------------------|
| Current: | |
| Equipment | 26,337 |
| Fire Contract | 4,153 |
| Fuel | 694 |
| Insurance | 6,308 |
| Building Lease | 1 |
| Miscellaneous | 1,365 |
| Office Supplies & Postage | 281 |
| Repairs and Maintenance | 10,862 |
| Salaries & Retirement | 2,690 |
| Shop Supplies | 2,451 |
| Training | 589 |
| Utilities | 2,331 |
| Auditor and Treasurer Fees | <u>1,174</u> |
| Total Cash Disbursements | <u>59,236</u> |

Total Receipts (Under) Disbursements (8,540)

Fund Cash Balance, January 1 43,977

Fund Cash Balance, December 31 \$35,437

Reserves for Encumbrances, December 31 \$0

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

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

| | General Fund |
|--|---------------------|
| Cash Receipts: | |
| Local Taxes | \$41,493 |
| Intergovernmental | 18,042 |
| Earnings on Investments | 404 |
| Miscellaneous | 4 |
| Total Cash Receipts | 59,943 |
| Cash Disbursements: | |
| Current: | |
| Equipment | 2,337 |
| Fire Contract | 3,610 |
| Fuel | 507 |
| Insurance | 5,588 |
| Miscellaneous | 1,150 |
| Office Supplies & Postage | 600 |
| Repairs and Maintenance | 4,574 |
| Salaries & Retirement | 2,404 |
| Utilities | 1,937 |
| Auditor and Treasurer Fees | 1,460 |
| Total Cash Disbursements | 24,167 |
| Total Receipts Over Disbursements | 35,776 |
| Fund Cash Balance, January 1 | 8,201 |
| Fund Cash Balance, December 31 | \$43,977 |
| Reserves for Encumbrances, December 31 | \$9,122 |

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

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northern Hardin County 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 a three-member Board of Trustees with one member being appointed by each of the three member subdivisions. The member subdivisions are the Village of Dunkirk, Blanchard Township, and Washington Township, all in Hardin County. The District provides fire protection services for each of the member subdivisions.

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.

D. Fund Accounting

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

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. Unencumbered appropriations lapse at year end.

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN 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. The District did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2002 | 2001 |
|-------------------------|----------|----------|
| Demand deposits | \$15,437 | \$43,977 |
| Certificates of deposit | 20,000 | |
| Total deposits | \$35,437 | \$43,977 |

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

3. BUDGETARY ACTIVITY

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

| 2002 Budgeted vs. Actual Receipt | | | |
|----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$46,557 | \$50,696 | \$4,139 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$57,250 | \$59,236 | (\$1,986) |

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2001 Budgeted vs. Actual Receipt | | | |
|----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$46,557 | \$59,943 | \$13,386 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$53,628 | \$33,289 | \$20,339 |

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.

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. CONTRIBUTIONS RECEIVED TO FORM THE FIRE DISTRICT

Each of the member subdivisions contributed money to assist with expensed prior to the passage of the tax levy. The Village of Dunkirk contributed \$10,000, Blanchard Township contributed \$9,000 and Washington Township contributed \$6,500. The Village of Dunkirk contributed fire equipment and Blanchard Township donated fire trucks from a previous fire association that existed between these entities.

6. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer pension plan. This plan provides 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. PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries during the period from January 1, 2001 through December 31, 2002. The District has paid all contributions required through December 31, 2002.

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles and Portable Equipment;
- Crime; and
- Errors and omissions.



**Auditor of State
Betty Montgomery**

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

Northern Hardin County Fire District
Hardin County
121 S. Buckeye Street
Dunkirk, Ohio 45836

To the Board of Trustees:

We have audited the financial statements of the Northern Hardin County Fire District, Hardin County (the "District"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 6, 2003. 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 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 6, 2003.

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. Reportable conditions are described in the accompanying schedule of findings as item 2002-003.

**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 do not 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 June 6, 2003.

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.



Betty Montgomery
Auditor of State

June 6, 2003

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Also, the entity must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The District did not file their annual financial statements for 2002 and 2001 and did not publish notice of their availability.

The District should implement monitoring procedures, to help assure compliance with this requirement and make the public aware of the availability of the financial report.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate:

This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1000 for fire districts, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The District did not certify any expenditures prior to making orders for the expenditure of funds. In addition, neither of the two exceptions noted above were utilized for these transactions. Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of District funds.

FINDING NUMBER 2002-003

Monitoring Budget Versus Actual Data

To effectively manage financial resources, an entity's governing body should periodically receive and review reports which reflect budgeted revenue and expenditures versus actual activity. The District's Trustees did not receive and review budget versus actual statements during 2002 and 2001. In addition, the object level descriptions used by the District to adopt appropriations were not always reflected in the accounting records.

These weaknesses inhibit both the Trustees' and Clerk's ability to monitor financial activity. As a result the District not only may violate budgetary laws, but may also not achieve its own financial goals.

The District should implement monitoring procedures to help assure that the object level descriptions used for budgeted expenditures are the same as those used in the accounting records. In addition, the Clerk should periodically provide the Trustees with budget versus actual statements. Evidence of these procedures, along with the current reviews that are being performed by the Trustees, should be documented in the minutes.



**Auditor of State
Betty Montgomery**

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NORTHERN HARDIN COUNTY 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
JULY 17, 2003**