



**Auditor of State  
Betty Montgomery**



**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Governmental Fund Type – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Governmental Fund Type – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11
Schedule of Prior Year Findings .....	12

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Southwest Mercer Fire District  
Mercer County  
PO Box 528  
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the accompanying financial statements of the Southwest Mercer Fire District, Mercer County (the District, as of and for the years ended December 31, 2002 and December 31, 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 combined fund cash balances of the District, as of December 31, 2002 and December 31, 2001, and its combined 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 1, 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".

**Betty Montgomery**  
Auditor of State

May 1, 2003

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**SOUTHWEST MERCER FIRE DEPARTMENT  
MERCER COUNTY**

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

	<u>General</u>
<b>Cash Receipts:</b>	
Local Taxes	\$64,552
Intergovernmental	15,803
Charges for Services	11,016
Earnings on Investments	259
Miscellaneous	<u>1,783</u>
Total Cash Receipts	93,413
<b>Cash Disbursements:</b>	
Current:	
Security of Persons and Property	<u>55,374</u>
Receipts Over Disbursements	38,039
Fund Cash Balance, January 1	<u>52,402</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$90,441</u></u>

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

**SOUTHWEST MERCER FIRE DEPARTMENT  
MERCER COUNTY**

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

	<u>General</u>
<b>Cash Receipts:</b>	
Local Taxes	\$63,253
Intergovernmental	7,660
Charges for Services	10,492
Earnings on Investments	490
Miscellaneous	<u>1,704</u>
Total Cash Receipts	83,599
<b>Cash Disbursements:</b>	
Current:	
Security of Persons and Property	<u>52,687</u>
Receipts Over Disbursements	30,912
Fund Cash Balance, January 1	<u>21,490</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$52,402</u></u>

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

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Southwest Mercer Fire District, Mercer 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 a joint fire district as described in Ohio Rev. Code Section 505.371. The District is directed by an appointed four-member Board of Trustees and a Board-at-large. One board member is appointed by each Township within the District. Those subdivisions are Washington Township, Gibson Township, Recovery Township, and the Village of Fort Recovery. The District provides fire protection 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 reported as assets. 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 and the money market savings 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 funds 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.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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. The District did not encumber all commitments required by Ohio law. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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 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	\$10,441	\$27,402
Certificates of deposit	80,000	25,000
Total deposits	<u>\$90,441</u>	<u>\$52,402</u>

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

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER 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 December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,071	\$93,413	\$9,342

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$136,473	\$55,374	\$81,099

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,430	\$83,599	\$3,169

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,920	\$52,687	\$49,233

**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.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

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

**5. RETIREMENT SYSTEMS**

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

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Southwest Mercer Fire District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**7. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State  
Betty Montgomery**

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

Southwest Mercer Fire District  
Mercer County  
PO Box 528  
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the accompanying financial statements of the Southwest Mercer Fire District, Mercer County (the District), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 1, 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 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 2002-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 1, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Southwest Mercer Fire District  
Mercer County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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.

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 1, 2003

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER 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 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 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 appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The District did not certify transactions prior to April 2001, and 8.4% of the transactions tested after April 2001 were not certified prior to making orders for the expenditure of District's funds. In addition, the District did not exercise the exception outlined above for any of these expenditures.

Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of the District's funds. Purchase orders should also include all pertinent information such as the fund/object and purchase order number. All purchase orders should be canceled when the obligation has been met by the District.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 and 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-40254-001	Purchase orders were not utilized	Partially Corrected	See 2002-40254-001



**Auditor of State  
Betty Montgomery**

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**SOUTHWEST MERCER FIRE DISTRICT**

**MERCER 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  
JUNE 19, 2003**