



**Auditor of State  
Betty Montgomery**



HOLMES FIRE DISTRICT #1  
HOLMES COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Holmes Fire District #1  
Holmes County  
P.O. Box 7 - 8478 SR 39 West  
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Holmes Fire District #1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002. 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.

The District's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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, 2003 and 2002, 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 June 30, 2004 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.

Holmes Fire District #1  
Holmes County  
Independent Accountants' Report  
Page 2

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

June 30, 2004

**HOLMES FIRE DISTRICT # 1  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$210,878	\$210,878	\$421,756
Intergovernmental	32,223	21,525	53,748
Charges for Services	85,008		85,008
Earnings on Investments	606		606
Miscellaneous	9,649		9,649
	<u>338,364</u>	<u>232,403</u>	<u>570,767</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	140,515	203,077	343,592
General Government	81,308	5,165	86,473
Debt Service:			
Redemption of Principal	39,300	38,750	78,050
Interest	4,590	4,006	8,596
Capital Outlay	2,979	12,442	15,421
	<u>268,692</u>	<u>263,440</u>	<u>532,132</u>
Total Cash Disbursements			
Excess of Cash Receipts Over/(Under) Cash Disbursements	69,672	(31,037)	38,635
Fund Cash Balances, January 1	19,126	89,943	109,069
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$88,798</u></u></b>	<b><u><u>\$58,906</u></u></b>	<b><u><u>\$147,704</u></u></b>

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

**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$201,804	\$201,804	\$403,608
Intergovernmental	24,627	20,889	45,516
Charges for Services	87,621		87,621
Earnings on Investments	1,115		1,115
Miscellaneous	20,108		20,108
	<u>335,275</u>	<u>222,693</u>	<u>557,968</u>
<b>Total Cash Receipts</b>			
	<u>335,275</u>	<u>222,693</u>	<u>557,968</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	227,362	124,034	351,396
General Government	77,769	4,808	82,577
Debt Service:			
Redemption of Principal	19,300	38,750	58,050
Interest	5,660	6,283	11,943
Capital Outlay	2,000	9,333	11,333
	<u>332,091</u>	<u>183,208</u>	<u>515,299</u>
<b>Total Cash Disbursements</b>			
	<u>332,091</u>	<u>183,208</u>	<u>515,299</u>
Excess of Cash Receipts Over Cash Disbursements	3,184	39,485	42,669
Fund Cash Balances, January 1	15,942	50,458	66,400
	<u>15,942</u>	<u>50,458</u>	<u>66,400</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$19,126</u></u>	<u><u>\$89,943</u></u>	<u><u>\$109,069</u></u>

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



**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Holmes Fire District #1, Holmes 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 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 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 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 District maintains all cash in an interest bearing checking account.

**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 types:

**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.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant 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 service to the participating Townships and Village.

HOLMES FIRE DISTRICT #1  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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

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:

	2003	2002
Demand deposits	\$147,704	\$109,069

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

**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$324,400	\$338,364	\$13,964
Special Revenue	213,500	232,403	18,903
Total	\$537,900	\$570,767	\$32,867

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$321,672	\$268,692	\$52,980
Special Revenue	298,650	263,440	35,210
Total	\$620,322	\$532,132	\$88,190

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$417,661	\$335,275	(\$82,386)
Special Revenue	212,400	222,693	10,293
Total	\$630,061	\$557,968	(\$72,093)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$373,930	\$332,091	\$41,839
Special Revenue	206,250	183,208	23,042
Total	\$580,180	\$515,299	\$64,881

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code 5705.41(D) the District did not certify the availability of funds for certain expenditures during the years ended December 31, 2003 and 2002.

Contrary to Ohio Rev. Code Sections 505.39 and 505.40 and 505.401, the District obtained commercial loans for the financing of operating activities and equipment purchases.

**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. 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.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Commercial and Savings Bank Loan	38,750	5.90%
Killbuck Savings Bank Loan	76,400	4.50%
Total	\$115,150	

The District borrowed \$155,000 from Commercial and Savings Bank to finance the purchase of a new tank truck. The loan was issued on June 21, 2000, and has a maturity on June 21, 2004. Interest and principal payments are to be paid annually to Commercial and Savings Bank.

The District also borrowed \$135,000 at an interest rate of 4.5 percent from Killbuck Savings Bank for operations. The loan was issued on December 6, 2001, for a seven year period to end on December 6, 2008. Interest and principal payments will be made semiannually to Killbuck Savings Bank.

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

	Commercial and Savings Bank	Killbuck Savings Bank
Year ending December 31:		
2004	\$41,036	\$22,521
2005	0	21,652
2006	0	20,784
2007	0	19,115
Total	\$41,036	\$84,072

**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. OPERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through for 2003 and 2002. The District has paid all contributions required through December 31, 2003.

All employees not otherwise covered by OPERS or OP&F System have an option to choose Social Security or OPERS/OP&F. For fiscal years 2003 and 2002, part-time firefighters and EMS personnel elected social security. The District's liability is 6.2% of wages paid.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. 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.

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## Auditor of State Betty Montgomery

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

Holmes Fire District #1  
Holmes County  
P.O. Box 7 - 8478 SR 39 West  
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Holmes Fire District #1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 30, 2004 wherein we noted that the District's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 2003-001 and 2003-002.

#### 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. However, we 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 30, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Holmes Fire District #1  
Holmes 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

June 30, 2004



HOLMES FIRE DISTRICT #1  
HOLMES COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or order any expenditure 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 encumbrance. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

This section also provides for two "exceptions" to the above requirement:

- A. Then and Now Certificates - 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 of the certificate, appropriated and 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 (which was increased to \$3,000 as of April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2003 and 2002, 17% and 20% of expenditures tested, respectively, were not certified by the Clerk prior to incurring the commitment. In addition, neither of the two exceptions noted above were utilized. As a result, the District could inadvertently over expend certain appropriations. Prior to entering into commitments, the Clerk should certify that funds are available for expenditure.

FINDING NUMBER 2003-002

**Ohio Rev. Code Sections 505.39, 505.40 and 505.401** permit a joint fire district to levy taxes or issue bonds for operating revenues or equipment purchases. However, there is no provision in the Ohio Revised Code which allows a joint fire district to obtain bank loans for operating activities or equipment purchases.

During 2001, the District obtained commercial banks loans in the amount of \$135,000 and \$155,000 for operating activities and equipment purchases, respectively. At December 31, 2003, \$76,400 and \$38,750 remained outstanding on the respective commercial bank loans. The District should continue to repay the loans prior to maturity and as soon as it is financially capable.

**HOLMES FIRE DISTRICT #1  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

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>
2001-40983-001	Ohio Rev. Code Section 5705.41(D) – Fiscal Officer Certification	No	Repeated as Finding 2003-001
2001-40983-002	Ohio Rev. Code Section 5705.39 – Appropriations Exceeded Estimated Resources	Yes	Finding No Longer Valid
2001-40983-003	Ohio Rev. Code Section 5705.10 – Negative Fund Balance	Yes	Finding No Longer Valid
2001-40983-004	Ohio Rev. Code Sections – 505.39 and 505.40 - Loans for Operating Activities	No	Repeated as Finding 2003-002
2001-40983-005	Ohio Rev. Code Sections 153.50, 153.51, and 153.52 – Competitive Bidding	Yes	Finding No Longer Valid
2001-40938-006	Squad Billing Processing – Obtain SAS No. 70 Report	Yes	Finding No Longer Valid
2001-40938-007	Establishment of Squad Billing and Fee Schedule	Yes	Finding No Longer Valid



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**HOLMES FIRE DISTRICT # 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  
AUGUST 5, 2004**