



Mary Taylor, CPA
Auditor of State

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northern Hardin County Fire District
Hardin County
121 S. Buckeye St.
Dunkirk, OH 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, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005 or its changes in financial position for the years then ended.

Also, 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 Northern Hardin County Fire District, Hardin County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 21, 2007

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$43,142			\$43,142
Charges for Services	2,977			2,977
Intergovernmental	10,227			10,227
Earnings on Investments	144		\$876	1,020
Miscellaneous	1,235			1,235
Total Cash Receipts	<u>57,725</u>		<u>876</u>	<u>58,601</u>
Cash Disbursements:				
Current:				
Salaries, Retirement, & Taxes	3,722			3,722
Fire Contract	3,063			3,063
Fuel	1,088			1,088
Insurance	7,143			7,143
Repairs and Maintenance	1,474			1,474
Bureau Workers Compensation	524			524
Office Supplies	171			171
Postage	123			123
Shop Supplies	916			916
Truck Repairs	7,003		9,067	16,070
Education Material	565			565
Training	3,215			3,215
Utilities	2,681			2,681
Dues	75			75
CD Forfeiture	133			133
Checks	56			56
Advertisement	6			6
Auditor and Treasurer Fees	1,020			1,020
Equipment	1,683			1,683
Miscellaneous	1,076			1,076
Disbursement of Property Tax Receipt	912			912
Debt Service:				
Redemption of Principal		\$5,700		5,700
Interest		2,423		2,423
Total Disbursements	<u>36,649</u>	<u>8,123</u>	<u>9,067</u>	<u>53,839</u>
Total Receipts Over/(Under) Disbursements	<u>21,076</u>	<u>(8,123)</u>	<u>(8,191)</u>	<u>4,762</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		8,123		8,123
Transfers-Out	(8,123)			(8,123)
Total Other Financing Receipts/(Disbursements)	<u>(8,123)</u>	<u>8,123</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,953		(8,191)	4,762
Fund Cash Balances, January 1	<u>23,065</u>		<u>15,323</u>	<u>38,388</u>
Fund Cash Balances, December 31	<u>\$36,018</u>	<u>\$0</u>	<u>\$7,132</u>	<u>\$43,150</u>
Reserve for Encumbrances, December 31	<u>\$614</u>	<u>\$0</u>	<u>\$0</u>	<u>614</u>

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 BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$43,998				\$43,998
Charges for Services	1,085				1,085
Intergovernmental	14,464	\$108,851			123,315
Earnings on Investments	216				216
Miscellaneous	1,152				1,152
Total Cash Receipts	<u>60,915</u>	<u>108,851</u>			<u>169,766</u>
Cash Disbursements:					
Current:					
Salaries, Retirement, & Taxes	3,632				3,632
Fire Contract	3,360				3,360
Fuel	1,311				1,311
Insurance	7,451				7,451
Repairs and Maintenance	3,842				3,842
Bureau Workers Compensation	465				465
Office Supplies	87				87
Postage	122				122
Shop Supplies	629				629
Truck Repairs	3,969				3,969
Education Material	747				747
Training	850				850
Utilities	3,139				3,139
Dues	150				150
Advertisement	59				59
Auditor and Treasurer Fees	1,378				1,378
Audit Expense	2,556				2,556
Equipment	24,405	108,851			133,256
Miscellaneous	1,101				1,101
Debt Service:					
Redemption of Principal			\$5,700		5,700
Interest			2,708		2,708
Total Disbursements	<u>59,253</u>	<u>108,851</u>	<u>8,408</u>		<u>176,512</u>
Total Receipts Over/(Under) Disbursements	<u>1,662</u>		<u>(8,408)</u>		<u>(6,746)</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	2,050				2,050
Transfers-In			8,408		8,408
Transfers-Out	(8,408)				(8,408)
Total Other Financing Receipts/(Disbursements)	<u>(6,358)</u>		<u>8,408</u>		<u>2,050</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,696)				(4,696)
Fund Cash Balances, January 1	<u>27,761</u>			<u>\$15,323</u>	<u>43,084</u>
Fund Cash Balances, December 31	<u>\$23,065</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,323</u>	<u>\$38,388</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**NORTHERN HARDIN FIRE DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northern Hardin County Fire District, Hardin County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Dunkirk, Blanchard Township, and Washington 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values certificate of deposits 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 types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

FEMA Fund – the fund accounts for the FEMA grants received for fire equipment and for ice storm damage.

**NORTHERN HARDIN FIRE DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for resources the District accumulates to pay bond and note debt. The District had the following Debt Service Fund:

Bond Retirement Fund – This fund was established by the District to account for transfers from the General Fund to pay the debt service on a fire truck.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District had the following Capital Projects Fund:

Truck Fund – This fund receives transfers from the General Fund which are to be used for the repair of fire trucks.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**NORTHERN HARDIN FIRE DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

The District maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand deposits	\$36,018	\$23,065
Certificates of deposit	7,132	15,323
Total deposits	\$43,150	\$38,388

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,150	\$57,725	\$9,575
Debt Service	8,123	8,123	\$0
Capital Projects		876	\$876
Total	\$56,273	\$65,848	\$9,575

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,650	\$45,386	\$4,264
Debt Service	8,123	8,123	
Capital Projects		9,067	(9,067)
Total	\$49,650	\$45,386	\$4,264

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,674	\$62,965	\$16,291
Special Revenue		108,851	(108,851)
Debt Service	8,408	8,408	
Total	\$46,674	\$171,816	(\$92,560)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,240	\$67,661	(\$11,421)
Special Revenue		108,851	(108,851)
Debt Service	8,408	8,408	
Total	\$56,240	\$176,512	(\$120,272)

**NORTHERN HARDIN FIRE DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The District violated legal requirements regarding establishment of special revenue and debt service funds, amending estimated resources and appropriations and adopting appropriation measures.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 Township.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$45,600	5%

The District issued general obligation bonds to finance the purchase of a new fire truck. The bonds were issued on August 18, 2004 in the amount of \$57,000, with a maturity date of April 1, 2014.

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

Year ending December 31:	General Obligation Bonds
2007	\$7,867
2008	7,578
2009	7,289
2010	7,000
2011	6,711
2012-2014	18,399
Total	\$54,844

**NORTHERN HARDIN FIRE DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS

The District's employees and appointed officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

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.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northern Hardin County Fire District
Hardin County
121 S. Buckeye St.
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 year ended December 31, 2006 and 2005, and have issued our report thereon dated November 21 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-002, and 2006-003. A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001, 2006-002, and 2006-003 are also material weaknesses.

We also noted a certain matter that we reported to the District's management in a separate letter dated November 21, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002, 2006-003, 2006-004, and 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 21, 2007.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 21, 2007

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Material Weakness

Format of Annual Financial Statements and Presentation of Activity

The accounting records and the annual financial statements of a fire district should present fund balances, separately identify restricted funds, and present an accurate picture of the financial activity for the reporting period. The accounting records and financial statements should also be presented in a manner that is consistent with the presentation used by governmental entities. The District's financial records and annual financial statements included errors such as the following: the beginning and ending fund balances for 2006 and 2005 were not reported; in 2006 expenditures of \$9,025 belonging to the Capital Projects Truck Fund was reported as part of the General Fund; in 2005 the sale of a truck for \$2,050 was reported as miscellaneous revenue instead of sale of assets; in 2006 and 2005, collections for services provided, in the amount of \$2,977 and \$1,085, respectively, were reported using the name of the collection agency versus being reported as charges for services; in 2006 and 2005 property tax receipts, in the amount of \$43,142 and \$43,998, respectively, were classified using the name of the county auditor instead of property tax receipts; property tax revenue reimbursements were reported as State of Ohio instead of intergovernmental; in 2005 the beginning checking account balance \$27,761 was recorded as a receipt in the financial statement; expenditures resulting from grants were reported as grant expense instead of using a more descriptive line item category. In 2005, a property tax receipt belonging to another entity, in the amount of \$978, was receipted into the District which was subsequently paid to the correct entity in 2006. The District maintained certificates of deposit which were described in the minutes as belonging to the Truck Fund and for the repair of trucks, however, the accounting records and financial statements included the activity of this fund within the General Fund instead of presenting it separately as a Capital Projects Fund.

The failure to prepare financial statements that accurately reflect the financial activity of the District and that are consistent with governmental financial reporting requirements may impact the user's understanding of the financial operations, may inhibit the District's ability to make sound financial decisions, and may impact the District's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to correctly reflect all financial activity.

The District's Clerk should review governmental resources such as governmental accounting manuals, the Ohio Compliance Supplement, and Auditor of State Audit Bulletins for guidance in maintaining accounting records, preparing financial statements, and the recording of revenues and expenditures. The District's Clerk and Board should also perform a periodic review of the financial records to help identify errors in a timely manner.

FINDING NUMBER 2006-002

Material Weakness/Non-Compliance Citation

Ohio Rev. Code Section 5705.09(F) provides that subdivisions must establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The District failed to establish a separate fund in 2005 to account for FEMA grants for fire equipment in the amount of \$107,589 and for ice storm damage in the amount of \$1,262. The accompanying financial statements have been adjusted to reflect the receipt and expenditure of these grants in a Special Revenue FEMA Fund.

The District's Clerk and Board should review Ohio Compliance Supplement Chapter 1 and Appendix F to the Ohio Compliance Supplement, along with Auditor of State Bulletin 98-013 to obtain an understanding of the required funds for the District. A further understanding of the current accounting system should be obtained to aid in the establishment of the required funds.

FINDING NUMBER 2006-003

Material Weakness/Non-Compliance Citation

Ohio Rev. Code Section 5705.09(C) requires that subdivisions must establish a bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness. **Northern Hardin County Fire District Bond, dated August 18, 2005, Section F(2)**, requires the establishment of a bond retirement fund to pay the principal and interest on the bond. The District did not establish the required bond retirement fund.

On October 22, 2007, the District's Board passed a retroactive resolution establishing this fund and approving the transfers from the General Fund to pay the principal and interest. The accompanying financial statements reflect the Bond Retirement Fund and the transfers from the General Fund.

When entering into a debt agreement the District's Clerk and Board should read the complete debt agreement to help assure compliance with all requirements. The District may also want to consult with its legal representative when entering into a debt agreement. In addition, the District's Clerk and Board should review Ohio Compliance Supplement Chapter 1 and Appendix F to the Ohio Compliance Supplement to obtain an understanding of the required funds for the District. A further understanding of the current accounting system should be obtained to aid in the establishment of the required funds.

FINDING NUMBER 2006-004

Noncompliance

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. **Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5705.40** allows an entity to amend or supplement appropriations.

In 2005, the District failed to amend the certificate of estimated resources and the appropriations resolution for the proceeds of two FEMA grants in the amount of \$107,589 and \$1,262.

**FINDING NUMBER 2006-004
(Continued)**

The District's Clerk and Board should review Ohio Compliance Supplement Chapter 1 and Appendix F to the Ohio Compliance Supplement to obtain an understanding of all budgetary requirements applicable to a fire district. The District's Board should monitor budget versus activity to help identify potential situations when estimated receipts and appropriations should be amended.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. In conjunction with this requirement, **Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District's Board failed to approve the 2005 appropriation measures until May. As a result, there were no legal expenditures during the first half of 2005.

The Clerk and the Board should review Ohio Compliance Supplement Chapter 1 and Appendix F to the Ohio Compliance Supplement to obtain an understanding of all budgetary requirements applicable to a fire district.

OFFICIALS' RESPONSE

We did not receive a response from Officials to these findings.

**NORTHERN HARDIN COUNTY FIRE DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 731.14 failure to follow competitive bid procedures.	NA	There were no contracts bid during the audit period.
2004-002	Ohio Rev. Code Section 5705.36 failure to obtain amended certificate after the District received the proceeds of a bond in the amount of \$57,000.	No	Repeated as finding 2006-004.
2004-003	Ohio Rev. Code Section 5705.38 failure to pass an appropriations measure and failure to make legal expenditures	No	Repeated as finding 2006-005
2004-004	The District did not monitor budget versus actual information.	Yes	Budgetary information is reviewed once a year. Repeated as a management letter comment



Mary Taylor, CPA
Auditor of State

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
JANUARY 8, 2008**