



**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Southwest Mercer Fire District  
Mercer County  
P.O. 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, Ohio, (the Fire District) as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Fire 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 generally accepted auditing standards 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 Fire 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 of the Fire District, as of December 31, 2000 and December 31, 1999, 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 February 5, 2001 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 5, 2001

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**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$34,346	\$27,888	\$62,234
Intergovernmental	6,654		6,654
Charges for Services	9,992		9,992
Earnings on Investments	675		675
Miscellaneous	2,054		2,054
	<hr/>		<hr/>
Total Cash Receipts	53,721	27,888	81,609
	<hr/>		<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	58,057		58,057
Debt Service:			
Redemption of Principal		26,768	26,768
Interest		1,120	1,120
		<hr/>	<hr/>
Total Disbursements	58,057	27,888	85,945
	<hr/>		<hr/>
Total Receipts Over/(Under) Disbursements	(4,336)	0	(4,336)
Fund Cash Balances January 1	25,826	0	25,826
	<hr/>		<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$21,490</u>	<u>\$0</u>	<u>\$21,490</u>

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

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$37,408	\$23,285	\$60,693
Intergovernmental	10,209		10,209
Charges for Services	9,516		9,516
Earnings on Investments	605		605
Miscellaneous	6,258		6,258
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	63,996	23,285	87,281
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	47,973		47,973
Debt Service:			
Redemption of Principal		20,917	20,917
Interest		2,368	2,368
	<hr/>	<hr/>	<hr/>
Total Disbursements	47,973	23,285	71,258
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	16,023	0	16,023
Fund Cash Balances January 1	9,803		9,803
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$25,826</u>	<u>\$0</u>	<u>\$25,826</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, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Southwest Mercer Fire District, Mercer County, (the Fire 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 Fire District is a joint fire district as described in Ohio Rev. Code Section 505.371. The Fire District is directed by an appointed five-member Board of Trustees composed of one trustee from each of the three Townships, one member from the legislative authority of the municipal corporation in the Fire District and one At-Large member. The Fire District provides fire protection to residents and property of the Fire District.

The Fire District's management believes these financial statements present all activities for which the Fire 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Money Market Savings are valued at cost.

**D. Fund Accounting**

The Fire District uses fund accounting to segregate cash and investments that are restricted as to use. The Fire 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. Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Fire District had the following debt service fund:

Note Debt Fund - This fund is used to repay the debt borrowed to purchase a fire truck.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**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 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 Fire District to reserve (encumber) appropriations when commitments are made.

The Fire District did not use the encumbrance method of accounting.

A summary of 2000 and 1999 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 Fire 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>2000</u>	<u>1999</u>
Demand deposits	\$ 21,490	\$ 25,826

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 was as follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,478	\$ 53,721	\$ 3,243
Debt Service	<u>28,368</u>	<u>27,888</u>	<u>(480)</u>
Total	<u>\$ 78,846</u>	<u>\$ 81,609</u>	<u>\$ 2,763</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 76,305	\$ 58,057	\$ 18,248
Debt Service	<u>28,368</u>	<u>27,888</u>	<u>480</u>
Total	<u>\$ 104,673</u>	<u>\$ 85,945</u>	<u>\$ 18,728</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,161	\$ 63,996	\$ 7,835
Debt Service	<u>23,285</u>	<u>23,285</u>	<u>0</u>
Total	<u>\$ 79,446</u>	<u>\$ 87,281</u>	<u>\$ 7,835</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 62,680	\$ 47,973	\$ 14,707
Debt Service	<u>23,285</u>	<u>23,285</u>	<u>0</u>
Total	<u>\$ 85,965</u>	<u>\$ 71,258</u>	<u>\$ 14,707</u>

The Fire District did not comply with Ohio Revised Code Sec. 5705.41 (D). Nor did the District utilize the encumbrance method of accounting.

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**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 Fire District.

**5. RETIREMENT SYSTEMS**

The Fire District officials 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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Fire District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 to December 31, 2000 the employer rate was temporarily rolled back to 8.13% of participant's gross salaries. The Fire District has paid all contributions required through December 31, 2000.

**6. RISK MANAGEMENT**

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

- Commercial Property Coverage
- Commercial General Liability
- Commercial Automobile
- Commercial Umbrella
- Management Liability
- Portable Equipment Coverage

**7. CONTINGENT LIABILITIES**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Southwest Mercer Fire District  
Mercer County  
P.O. Box 528  
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the financial statements of the Southwest Mercer Fire District (the Fire District) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated February 5, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 Fire 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 2000-40254-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Fire District in a separate letter dated February 5, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fire 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Fire District in a separate letter dated February 5, 2001.

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

This report is intended for the information and use of the audit committee, management, the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 5, 2001

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number 2000-40254-001</b>	
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Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make a contract or order any expenditure of money unless there is a certificate of the fiscal officer 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 encumbrances. 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 encumbrances 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.

For 100% of the transactions tested, the District did not obtain certification prior to obligating the expenditure, nor did the District subsequently certify those expenditure using the exceptions provided by statute.

The District should review the certification requirement and exceptions provided by statute. The District should obtain the required certification prior to obligating District funds when practicable. The exceptions should be used when prior certification is not practicable. The Ohio Compliance Supplement may serve as a useful reference when reviewing the requirements of Ohio Rev. Code 5705.41(D).

**SOUTHWEST MERCER FIRE DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1998-40254-001	ORC 5705.41(B), Expenditures exceeding appropriations	Yes	
1998-40254-002	ORC 5705.41(D), Lack of prior certification of funds	No	Not Corrected, See Finding Number 2000-40254-001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOUHTWEST 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  
APRIL 3, 2001**