



**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



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

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**STATE OF OHIO**



HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Holmes Fire District No. 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 No. 1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 and reserves for encumbrances of the District as of December 31, 2001 and 2000, 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 April 9, 2002 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 audits.

Holmes Fire District No. 1  
Holmes County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 9, 2002

**HOLMES FIRE DISTRICT NO. 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, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$140,538	\$154,063	\$294,601
Intergovernmental	13,898	14,607	28,505
Charges for Services	65,879		65,879
Earnings on Investments	781		781
Miscellaneous	19,567	50	19,617
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	240,663	168,720	409,383
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	264,421	100,369	364,790
General Government	56,615	3,967	60,582
Debt Service:			
Redemption of Principal	40,000	38,750	78,750
Interest	1,157	11,751	12,908
Capital Outlay	5,200	30,000	35,200
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	367,393	184,837	552,230
Total Cash Receipts (Under) Cash Disbursements	(126,730)	(16,117)	(142,847)
<b>Other Financing Receipts:</b>			
Proceeds of Loan	175,000		175,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,270	(16,117)	32,153
Fund Cash Balances (Deficit), January 1	(32,328)	66,575	34,247
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$15,942</b>	<b>\$50,458</b>	<b>\$66,400</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0

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

**HOLMES FIRE DISTRICT NO. 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, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$130,005	\$143,042	\$273,047
Intergovernmental	21,179	14,182	35,361
Charges for Services	80,195		80,195
Earnings on Investments	2,983		2,983
Miscellaneous	15,357		15,357
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	249,719	157,224	406,943
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	272,018	22,890	294,908
General Government	71,600	3,706	75,306
Capital Outlay		326,529	326,529
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	343,618	353,125	696,743
Total Cash Receipts (Under) Cash Disbursements	(93,899)	(195,901)	(289,800)
<b>Other Financing Receipts:</b>			
Proceeds of Loan		155,000	155,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(93,899)	(40,901)	(134,800)
Fund Cash Balances, January 1	61,571	107,476	169,047
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$32,328)</b>	<b>\$66,575</b>	<b>\$34,247</b>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0
	<hr/>	<hr/>	<hr/>

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



**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Holmes Fire District No. 1, Holmes County, Ohio, (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 principle 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 a 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 has the following 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 NO. 1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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 in 2001 and 2000.

A summary of 2001 and 2000 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**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment 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>2001</u>	<u>2000</u>
Demand deposits	\$66,400	\$34,247

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

**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$428,500	\$415,663	(\$12,837)
Special Revenue	153,100	168,720	15,620
Total	\$581,600	\$584,383	\$2,783

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$425,000	\$367,393	\$57,607
Special Revenue	189,000	184,837	4,163
Total	\$614,000	\$552,230	\$61,770

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$583,866	\$249,719	(\$334,147)
Special Revenue	0	312,224	312,224
Total	\$583,866	\$561,943	(\$21,923)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$387,607	\$343,618	\$43,989
Special Revenue	363,600	353,125	10,475
Total	\$751,207	\$696,743	\$54,464

**4. NON-COMPLIANCE**

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, 2001 and 2000.

Contrary to Ohio Rev. Code 5705.39, total fund appropriations exceeded estimated resources in the Special Revenue - Special Levy Fund at December 31, 2000 by \$363,600.

Contrary to Ohio Rev. Code 5705.10, a negative fund balance of \$32,328 existed in the General Fund at December 31, 2000.

**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. NON-COMPLIANCE (Continued)**

Contrary to Ohio Rev. Code Section 505.371, the District obtained commercial bank notes for the financing of operating activities during the 2001.

Contrary to Ohio Rev. Code Sections 153.50, 153.51, and 153.52, the District did not seek competitive bids for certain classes of work performed on the construction of a new fire station building during 2001.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial and Savings Bank Loan	\$116,250	5.90%
Killbuck Savings Bank Loan	<u>135,000</u>	4.50%
Total	<u><u>\$251,250</u></u>	

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. Total principal and interest paid in 2001 was \$50,501.

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.

**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

The District also borrowed \$40,000 at an interest rate of 6 percent from Wayne County National Bank for operations on February 14, 2001. This loan was repaid on December 7, 2001 with interest of \$1,157.

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

<u>Year ending December 31:</u>	<u>Commercial and Savings Bank</u>	<u>Killbuck Savings Bank</u>
2002	\$45,609	\$25,157
2003	43,323	24,289
2004	41,036	23,420
2005	0	22,552
2006	0	21,683
2007 – 2008	0	40,661
Total	<u>\$129,968</u>	<u>\$157,762</u>

**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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. PERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000, through December 31, 2000. The District has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance and dental coverage to full-time employees through a private carrier.

**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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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Holmes Fire District No. 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 No. 1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 9, 2002. We conducted our audits 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 audits 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*. The noncompliance is described in the accompanying Schedule of Findings as items 2001-40938-001 through 2001-40938-005. However, we also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 9, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-40938-006 and 2001-40938-007.

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 the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 9, 2002.

This report is intended solely for the information and use of the management and 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

April 9, 2002



HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2001-40938-001

Certification of Available Resources

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit 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 purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

1. 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, District 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, if such expenditure is otherwise valid
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of District Trustees, if such expenditure is otherwise valid

Prior to August of 2000, all of the expenditures tested were not certified by the Clerk prior to incurring the obligation because the District did not use purchase orders. Beginning in August of 2000, the District began using purchase orders. Of the expenditures tested beginning in August of 2000, 24% were certified after the expenditure was made. It was also found that none of the two exceptions above were utilized for the items found to be in non-compliance. The District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D). The District should also implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**NON-COMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-40938-002**

**Appropriations in Excess of Estimated Resources**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate certifying total appropriations from each fund do not exceed the total Official Estimate or Amended Official Estimate of Resources when amending estimated resources.

At December 31, 2000, total appropriations exceeded total estimated resources in the following fund:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue - Special Levy Fund	\$0	\$363,600	\$363,600

In addition, the District did not always obtain certificates from the County Auditor that appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. The Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Clerk should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

**FINDING NUMBER 2001-40938-003**

**Negative Cash Fund Balance**

**Ohio Rev. Code Section 5705.10** states that money paid into any fund shall be used for the purposes for which such fund is established. At December 31, 2000, the District had a negative fund cash balance in the following fund:

<u>Fund</u>	<u>Negative Cash Fund Balance</u>
General Fund	\$32,328

Negative fund cash balances are in indication that revenues from other sources were used to pay obligations of this fund. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**FINDING NUMBER 2001-40938-004**

**Bank Notes for Operating Activities**

A Joint Fire District created under Rev. Code Section 505.371 may, pursuant to Ohio Rev. Code Sections 505.39 and 505.40, levy taxes or issue bonds for operating revenues. However, there is no provision in the Revised Code which allows a Joint Fire District to obtain loans for operating activities.

**NON-COMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-40938-004 (Continued)**

During 2001, the District obtained two commercial bank notes in the amounts of \$40,000 and \$135,000, with annual interest rates of 6 percent and 4.5 percent, respectively, for the purpose of financing operations. At December 31, 2001, the \$40,000 note had been repaid with \$1,157 of interest, and the \$135,000 remained outstanding. The \$135,000 note is scheduled to be repaid in semi-annual installments, including accrued interest, through December 6, 2008.

The District should repay the \$135,000 note prior to maturity and as soon as it is financially capable. The District should levy additional taxes pursuant to Rev. Code 505.39 or issue bonds pursuant to Rev. Code 505.40 when it is necessary to raise additional operating revenue.

**FINDING NUMBER 2001-40938-005**

**Separate Bids for Certain Classes of Work**

**Ohio Rev. Code Sections 153.50, 153.51, and 153.52** requires that when an entity is to bid a project, the cost of which is greater than \$50,000, it shall require separate and distinct bids to be made for each of the following branches or classes of work to be performed if the estimated cost for that branch or class is \$5,000 or more: (1) plumbing and gas fittings; (2) steam and hot-water heating, ventilating apparatus and steam power plant; and (3) electrical equipment.

During 2000, the District bid for the construction of a new fire station building which exceeded the cost of \$50,000. The bid was made for the building shell only. Contracts for plumbing, heating and ventilation, and electrical work performed on the building, each exceeding \$5,000, were awarded without being competitively bid.

The District should comply with all provisions of the Ohio Rev. Code for the bidding and letting of contracts on future capital purchases.

**INTERNAL CONTROL RECOMMENDATIONS**

**FINDING NUMBER 2001-40938-006**

**Squad Billing Processing**

The District has contracted its billing process, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether the service organization has sufficient controls in place and is operating effectively to reduce the risk that squad runs have not been completely and accurately processed.

The District should implement procedures to assure the completeness and accuracy of squad run billings processed by its third-party administrator. Statement on Auditing Standards (SAS) 70 as amended, prescribes standards for reporting on the processing (i.e. control and design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the District with an appropriate level of assurance that billings are being processed completely and accurately.

**INTERNAL CONTROL RECOMMENDATIONS (Continued)**

**FINDING NUMBER 2001-40938-006 (Continued)**

The District should specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with America Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

**FINDING NUMBER 2001-40938-007**

**Squad Billing Receipts**

The following items were noted during our testing of the Charges for Services Receipts:

- A formal policy did not exist which established billing rates for squad runs
- A formal policy did not exist which documented the manner in which the Board bills and collects the squad run fees
- A formal policy did not exist which documented the length of time accounts are maintained within the records until they are written off

The lack of these policies resulted in the Board not adequately monitoring the squad runs and subsequent billings.

The Board should consider the following to enhance their ability to monitor squad runs and billing activities:

- A fee structure should be adopted
- A policy should be developed to ensure all squad runs are billed, subsequently collected or written off. The policy should address the length of time accounts will remain outstanding before they are written off. The policy should also document which employees and/or Board members are authorized to write off accounts.

**HOLMES FIRE DISTRICT NO. 1  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

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>
1999-40938-001	Revised Code 5705.41(D) - Fiscal Officer Certification	No	Partially Corrected; See Finding Number 2001-40938-001
1999-40938-002	Squad Billing Receipt Policy	No	Not Corrected; See Finding Number 2001-40938-007





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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 NO. 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  
MAY 9, 2002**