



**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Valley Fire District
Summit County
1775 Main Street
Peninsula, Ohio 44264

To the Board of Trustees:

We have audited the accompanying financial statements of the Valley Fire District, Summit County, (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 2, 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.

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 2, 2002

**VALLEY FIRE DISTRICT
SUMMIT 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$111,463	\$87,927	\$199,390
Intergovernmental	22,367		22,367
Charges for Services	40,287		40,287
Earnings on Investments	10,707		10,707
Miscellaneous	65		65
	<u>184,889</u>	<u>87,927</u>	<u>272,816</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	167,922		167,922
General Government	27,939		27,939
Other	5,801	16,100	21,901
Capital Outlay	23,963		23,963
	<u>225,625</u>	<u>16,100</u>	<u>241,725</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(40,736)	71,827	31,091
Fund Cash Balances, January 1	<u>163,188</u>	<u>187,131</u>	<u>350,319</u>
Fund Cash Balances, December 31	<u>\$122,452</u>	<u>\$258,958</u>	<u>\$381,410</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VALLEY FIRE DISTRICT
SUMMIT 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$127,432	\$84,919	\$212,351
Intergovernmental	15,777		15,777
Charges for Services	19,720		19,720
Earnings on Investments	23,103		23,103
Insurance Proceeds		232,944	232,944
Miscellaneous	5,518		5,518
	<u>191,550</u>	<u>317,863</u>	<u>509,413</u>
Total Cash Receipts			
	<u>191,550</u>	<u>317,863</u>	<u>509,413</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	158,900		158,900
General Government	21,745	2,094	23,839
Other	4,732	1,788	6,520
Capital Outlay		245,041	245,041
	<u>185,377</u>	<u>248,923</u>	<u>434,300</u>
Total Cash Disbursements			
	<u>185,377</u>	<u>248,923</u>	<u>434,300</u>
Total Cash Receipts Over Cash Disbursements	6,173	68,940	75,113
Fund Cash Balances, January 1	<u>157,015</u>	<u>118,191</u>	<u>275,206</u>
Fund Cash Balances, December 31	<u><u>\$163,188</u></u>	<u><u>\$187,131</u></u>	<u><u>\$350,319</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Valley Fire District, Summit 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 an appointed three-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Boston Township and the Village of Peninsula. The third Board member is a citizen of the District, who is selected by the two appointed Board members. 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District has the following significant Capital Projects Fund:

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Capital Projects Fund (Continued)

Capital Equipment Fund - This fund receives levy monies to be used for the refurbishment of the Firehouse and the purchase and maintenance of fire fighting equipment.

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. 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. The District did not encumber all commitments required by Ohio law.

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.

2. EQUITY IN POOLED CASH AND INVESTMENT

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:

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENT (Continued)

	2001	2000
Demand deposits	\$89,016	\$108,633
STAR Ohio	292,394	241,686
Total deposits and investments	\$381,410	\$350,319

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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	\$115,189	\$184,889	\$69,700
Capital Projects	77,837	87,927	10,090
Total	\$193,026	\$272,816	\$79,790

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$379,400	\$225,625	\$153,775
Capital Projects	190,000	16,100	173,900
Total	\$569,400	\$241,725	\$327,675

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,678	\$191,550	\$58,872
Capital Projects	76,539	317,863	241,324
Total	\$209,217	\$509,413	\$300,196

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,207	\$185,377	(\$154,950)
Capital Projects	190,000	248,923	(58,923)
Total	\$494,207	\$434,300	\$59,907

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not certify the availability of funds prior to entering into the commitment during 2001 and 2000.

Contrary to Ohio Rev. Code Section 5705.41(B), certain expenditures for fiscal year 2000 exceeded appropriations at the legal level of control.

Contrary to Ohio Rev. Code Section 5705.39, the appropriation authority exceeded estimated resources in fiscal year 2001 for the General Fund by \$116,442.

Contrary to Ohio Rev. Code Section 5705.38, the District did not adopt a temporary appropriation measure for 2000 in a timely fashion, nor did it adopt a permanent appropriation measure for 2000. The District did not adopt temporary appropriations in 2001 and permanent appropriations were not adopted until February, 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.

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.

**VALLEY FIRE DISTRICT
SUMMIT COUNTY**

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

6. RETIREMENT SYSTEM

Certain employees belong to the Public Employees Retirement System (PERS) of Ohio, and the remaining contribute to social security. 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The District has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The District is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

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

Valley Fire District
Summit County
1775 Main Street
Peninsula, Ohio 44263

To the Board of Trustees:

We have audited the accompanying financial statements of the Valley Fire District, Summit County, (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 2, 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* which are described in the accompanying Schedule of Findings as items 2001-40977-001 through 2001-40977-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 2, 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. 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 April 2, 2002.

Valley Fire District
Summit County
Report of Independent Accountants on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of 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 2, 2002

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40977-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the Clerk without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Of the transactions tested, 60% in 2001 and 55% in 2000 were not certified by the Clerk prior to incurring the obligation. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The District should establish procedures to ensure that all expenditures are certified prior to their obligation. These procedures could include the implementation of the use of the Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-40977-002

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

20% of the expenditures tested for fiscal year 2000 exceeded appropriations at the legal level of control. Additionally, as further described in finding 2001-40977-004, certain expenditures were made prior to the adoption of appropriation measures, contrary to Section 5705.41(B). The Clerk should monitor actual expenditures to appropriations to avoid overspending.

FINDING NUMBER 2001-40977-003

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 appropriations and estimated resources.

At December 31, 2001, total appropriations exceeded total estimated resources in the General Fund by \$116,442. In addition, the District did not obtain certificates from the County Auditor that appropriations from each fund do not exceed the total Amended Official Estimate of Resources. The Board of Trustees and the Clerk should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Clerk should obtain the required certificate from the County Auditor.

FINDING NUMBER 2001-40977-004

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. The District may pass a temporary appropriation measure to meet ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

The District did not pass an appropriation measurer for the year 2001 until February 2001. In addition, the year 2000 temporary appropriation was not passed until February 2000.

The District should pass appropriations on or about the first day of each year. The District may pass temporary appropriations until April 1, at which time permanent appropriations must be passed.



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VALLEY FIRE DISTRICT

SUMMIT 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**