



**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

West Elkton Gratis Township Fire District
Preble County
10031 Pleasant Valley Road
Somerville, Ohio 45064

To the Board of Trustees:

We have audited the accompanying financial statements of West Elkton Gratis Township Fire District, Preble 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 fund cash balance of the District, as of December 31, 2001 and 2000, 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 March 8, 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 audit.

West Elkton Gratis Township Fire District
Preble County
Report of Independent Accountants
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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

March 8, 2002

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

Cash Receipts:

Intergovernmental	\$22,577
Earnings on Investments	255
Miscellaneous	<u>1,450</u>
Total Cash Receipts	<u>24,282</u>

Cash Disbursements:

Current:	
Security of Persons and Property	965
General Government	17,477
Other	90
Debt Service:	
Redemption of Principal	35,100
Interest	1,501
Capital Outlay	<u>8,275</u>
Total Cash Disbursements	<u>63,408</u>

Total Receipts Over/(Under) Disbursements (39,126)

Other Financing Receipts:

Proceeds from Sale of Public Debt:	
Sale of Notes	<u>36,601</u>
Total Other Financing Receipts	<u>36,601</u>

Excess of Cash Receipts and Other Financing
Receipts Over/(Under) Cash Disbursements (2,525)

Fund Cash Balance, January 1 14,089

Fund Cash Balance, December 31 \$11,564

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

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

Cash Receipts:

Intergovernmental	\$29,232
Earnings on Investments	212
Miscellaneous	<u>1,670</u>
Total Cash Receipts	<u>31,114</u>

Cash Disbursements:

Current:	
Security of Persons and Property	965
General Government	15,297
Other	3,977
Debt Service:	
Redemption of Principal	5,900
Interest	1,763
Capital Outlay	<u>3,693</u>
Total Cash Disbursements	<u>31,595</u>

Total Receipts Over/(Under) Disbursements	<u>(481)</u>
Fund Cash Balance, January 1	<u>14,570</u>
Fund Cash Balance, December 31	<u><u>\$14,089</u></u>

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

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

West Elkton Gratis Township Fire District, Preble 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 five-member Board of Trustees. Two Board members are appointed by the Village of West Elkton. Two Board members are appointed by Gratis Township. One Board member is appointed at-large. The District provides fire protection and rescue services within 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.

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

C. Cash and Deposits

Interest earned is recognized and recorded when received.

D. Fund Accounting

The District uses the General Fund as the general operating fund. It is used to account for all financial resources.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District did not adopt operating budgets for the audit period.

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. No appropriation measures were approved for the audit period.

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting. However, the District had no material outstanding encumbrances at December 31, 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.

2. EQUITY IN POOLED CASH AND DEPOSITS

The District maintains a pool of deposits. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 follows:

	2001	2000
Demand deposits	\$11,564	\$14,089

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$60,883	\$60,883

2001 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$63,408	(\$63,408)

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$31,114	\$31,114

2000 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$31,595	(\$31,595)

Contrary to Ohio Law, the District did not adopt an operating budget for the years ending December 31, 2001 and 2000.

4. FIRE DISTRICT FUNDING

The Fire District receives funding from Gratis Township and the Village of West Elkton. The funding is derived from fire levy money received by Gratis Township and the Village of West Elkton. Payment is made semi-annually to the Fire District after the Township and Village receive their tax distribution from the Preble County Auditor.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Fire Equipment Bank Loan	\$36,601	5.50%

The District obtained a loan of \$36,601 from Somerville Bank in May 2001. The loan proceeds were used to pay off an existing Fire Equipment Acquisition Note from 1999. The District intends to pay off the new loan over a five year period by making annual principal and interest payments of \$8,571.

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

Year ending December 31:	Bank Loan
2002	\$8,571
2003	8,571
2004	8,571
2005	8,571
2006	8,571
Total	\$42,855

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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



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

West Elkton Gratis Township Fire District
Preble County
10031 Pleasant Valley Road
Somerville, Ohio 45064

To the Board of Trustees:

We have audited the accompanying financial statements of West Elkton Gratis Township Fire District, Preble County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2001-40368-001, 2001-40368-002, 2001-40368-003, and 2001-40368-004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant 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 2001-40368-001, 2001-40368-002, 2001-40368-003, and 2001-40368-004.

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. 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 is a material weakness.

West Elkton Gratis Township Fire District
Preble County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 March 8, 2002.

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

March 8, 2002

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE 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 2001-40368-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, § 5705.28(B)(2)(a), states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission. The District did not adopt operating budgets for the audit period. Failure to adopt operating budgets could result in overspending funds and negative fund cash balances. The District should adopt an annual operating budget.

FINDING NUMBER 2001-40368-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, §5705.38, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measures were passed for the audit period. Failure to pass appropriation measures could result in overspending funds and negative fund cash balances. The District should pass annual appropriation measures.

FINDING NUMBER 2001-40368-003

Material Noncompliance/Reportable Condition

Ohio Rev. Code, §5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures were not appropriated for the audit period. Failure to appropriate expenditures could result in overspending funds and negative fund cash balances. The District should appropriate all expenditures.

FINDING NUMBER 2001-40368-004

Material Noncompliance/Reportable Condition

Ohio Rev. Code, §5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2001-40368-004
(Continued)**

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

- A.. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The District did not use any type of certification by the fiscal officer during the audit period.

Failure to properly certify expenditures can result in overspending funds and negative fund cash balances.

We recommend the District properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. Then and Now Certificates which exceed \$1,000 should be approved by the Trustees. All purchase orders should be signed by at least two Trustees.



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WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT

PREBLE 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**