

C.B.S. JOINT FIRE DISTRICT

AUDIT REPORT

For the Years Ended December 31, 2002 and 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
C B S Joint Fire District
631 State Route 603 W
Shiloh, Ohio 44878

We have reviewed the Independent Auditor's Report of the C B S Joint Fire District, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The C B S Joint Fire District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 20, 2004

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C.B.S. JOINT FIRE DISTRICT
Audit Report
For the years ended December 31, 2002 and 2003

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C.B.S. JOINT FIRE DISTRICT
AUDIT REPORT
For the years ended December 31, 2002 and 2003

APPOINTED OFFICIALS

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Thomas Kranz	Trustee	1/1/02 - 12/31/03	
Ken Burrer	Trustee	1/1/02 - 12/31/03	
Jayne Boock	Trustee	1/1/02 - 12/31/02	
Linda Gregory	Trustee	1/1/03 - 12/31/03	
David Seaman	Fire Chief	Continuous	
Doris Beck	Clerk	Continuous	(A)

(A) The Ohio Government Risk Management Plan in the amount of \$10,000 1/1/00 to 12/31/03.

Law Director

James J. Mayer
Richland County Prosecuting Attorney
38 South Park St.
Mansfield, Ohio 43902

C.B.S. JOINT FIRE DISTRICT
AUDIT REPORT
For the years ended December 31, 2002 and 2003

INDEX OF FUNDS

GOVERNMENTAL FUND TYPE:

Special Revenue Fund Type:
Fire Levy

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
C.B.S Joint Fire District
Shiloh, Ohio

We have audited the accompanying financial statements of the C.B.S. Joint Fire District (the District), as of and for the years ended December 31, 2002 and 2003, as listed in the table of contents. 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. 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 balances of the District, as of December 31, 2002 and 2003, and cash receipts, disbursements, and changes in fund cash balances for the year then ended in conformity with the basis of accounting referred to above.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2004 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.

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

Charles E. Harris & Associates, Inc.
April 30, 2004

**C.B.S. JOINT FIRE DISTRICT
 RICHLAND COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES - SPECIAL REVENUE FUND
 For the Years Ended December 31, 2002 AND 2003**

	Special Revenue Fund	
	12/31/2002	12/31/2003
REVENUE RECEIPTS:		
Property Taxes	\$ 72,060	\$ 69,072
Intergovernmental	28,230	17,277
Interest	431	274
Charges for Services	6,115	17,273
Donations	357	217
TOTAL REVENUE RECEIPTS	107,193	104,113
 EXPENDITURE DISBURSEMENTS		
Salaries and Benefits	17,555	18,453
Taxes	850	332
Insurance	15,168	14,572
Utilites	6,907	8,416
Maintenance	27,477	12,003
Auditor and Treasurer Fees	1,356	1,344
Miscellaneous	9,686	8,689
Capital Outlay	-	75,000
TOTAL EXPENDITURE DISBURSEMENTS	78,999	138,809
 Total Revenue Receipts Over (Under) Expenditure Disbursements	 28,194	 (34,696)
 Fund Cash Balance, January 1	 39,915	 68,109
Fund Cash Balance, December 31,	\$ 68,109	\$ 33,413

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The C.B.S. Joint Fire District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District provides fire protection and EMS services to Cass Township, Bloominggrove Township and the Village of Shiloh.

Management believes the financial statements included in this report represent all of the funds of the District over which the District officials have the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the C.B.S. Joint Fire District (the primary government) and its potential component units consistent with Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the District, as the primary government, is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the District has determined that there are no component units required to be included in the financial statements.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. 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 by the Auditor of State.

D. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received. See Note 5 for further description.

E. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Type:

Special Revenue Fund

To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Trustees, and submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county auditor calculates the estimated revenues available to the District. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the District. The certificate is approved by the county budget commission and sent to the District clerk by September 1.

Prior to December 31, the District must revise the budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the clerk/treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2002 and 2003.

Budget receipts, as shown in the accompanying financial statements do not include the unencumbered fund balances as of January 1, 2002 and 2003. However, those fund balances are available for appropriation.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS - (continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

2. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

3. BUDGETARY COMPLIANCE

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations:

Budgetary expenditures (i.e. disbursements and encumbrances) may not exceed appropriations at the legal level of control. The District 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.

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.

Budgetary activity for the years ending December 31 was as follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Special Revenue	\$124,110	\$107,193	\$(16,917)

2002 Budgeted vs. Actual Expenditures

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Special Revenue	\$124,110	\$78,999	\$45,801

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

3. BUDGETARY COMPLIANCE - (continued)

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Special Revenue	\$154,867	\$104,113	\$(50,754)

2003 Budgeted vs. Actual Expenditures

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Special Revenue	\$153,350	\$138,809	\$14,541

4. RISK MANAGEMENT

The C.B. & S. Joint Fire District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The District pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

5. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds.

Legal Requirements

State statutes classify monies held by the District into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

"Inactive deposits" are public deposits that the Trustees have identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

5. EQUITY IN POOLED CASH AND INVESTMENTS – (continued)

Legal Requirements – (continued)

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreements, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

5. EQUITY IN POOLED CASH AND INVESTMENTS - (continued)

Legal Requirements – (continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

At year-end, the carrying amount of the District's deposits was \$68,109 in 2002 and \$33,413 in 2003 and the bank balance was \$69,765 in 2002 and \$34,666 in 2003. All of the bank balances for both years were covered by federal depository insurance.

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the District's name. The District had no investments required to be categorized.

6. PENSION OBLIGATIONS

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. The District's PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% for 2002 and 2003 of participant's gross salaries. The District has paid all contributions required through December 31, 2003.

Some employees of the District elected to contribute to Social Security and Medicare. All required payments were made at December 31, 2003.

C.B.S. JOINT FIRE DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

7. LEASE OBLIGATION

On November 4, 2003, the District entered into a lease agreement for the purchase of a new fire truck in the amount of \$223,382. The District made a down payment of \$75,000 and the Shiloh, Cass, Bloominggrove Firefighters Association contributed an additional \$40,000 toward the down payment, leaving a balance of \$108,382, which will be paid with biennial payments of \$11,827 from June 1, 2004 through December 1, 2008.

8. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
C.B.S. Joint Fire District
Shiloh, Ohio

We have audited the financial statements of the C.B.S. Joint Fire District as and for the years ended December 31, 2002 and 2003, and have issued our report thereon dated April 30, 2004. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 30, 2004.

Internal Controls 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. 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 we have reported to management of the District in a separate letter dated April 30, 2004.

This report is intended solely for the information and use of management and District trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
April 30, 2004

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending December 31, 2000 and 2001, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

C.B.S. JOINT FIRE DISTRICT

RICHLAND 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
JUNE 1, 2004**