



**Auditor of State  
Betty Montgomery**



**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance - General Fund - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance – General Fund - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Eastern Knox County Joint Fire District  
Knox County, Ohio  
8599 Horn Road  
Gambier, Ohio 43022

To the Board of Trustees:

We have audited the accompanying financial statements of the Eastern Knox County Joint Fire District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the District as of December 31, 2003, and December 31, 2002, 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 August 3, 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, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 3, 2004

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>General</b>
<b>Cash Receipts:</b>	
Local Taxes	\$844,958
Intergovernmental	105,309
Charges for Services	202,560
Earnings on Investments	3,061
Miscellaneous	2,691
Total Cash Receipts	1,158,579
<b>Cash Disbursements:</b>	
Current:	
Security of Persons and Property	212,121
Debt Service:	
Redemption of Principal	75,120
Interest	2,558
Capital Outlay	348,839
Total Disbursements	638,638
Total Receipts Over Disbursements	519,941
<b>Other Financing Receipts:</b>	
Proceeds from Sale of Public Debt:	
Sale of Notes	138,999
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	658,940
Cash Balance, January 1	72,882
<b>Cash Balance, December 31</b>	<b>\$731,822</b>

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

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>
<b>Cash Receipts:</b>	
Intergovernmental	\$2,690
Charges for Services	245,354
Earnings on Investments	967
Miscellaneous	<u>2,642</u>
Total Cash Receipts	<u>251,653</u>
<b>Cash Disbursements:</b>	
Current:	
Security of Persons and Property	109,870
Debt Service:	
Redemption of Principal	45,603
Interest	4,651
Capital Outlay	<u>18,647</u>
Total Disbursements	<u>178,771</u>
Total Receipts Over Disbursements	72,882
Cash Balance, January 1	<u>0</u>
<b>Cash Balance, December 31</b>	<b><u><u>\$72,882</u></u></b>

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



**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Eastern Knox County Joint Fire District, Knox 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 an appointed nine-member Board of Trustees. One board member is appointed by each political subdivision within the District and the final board member is selected at-large. Those subdivisions are Brown Township, Butler Township, Harrison Township, Howard Township, Jefferson Township, Union Township, Brinkhaven Village, and Danville Village. 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. 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**

The District maintained a checking account during 2003 and 2002.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District maintained the following fund:

**1. General Fund**

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

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. 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.

**G. Accumulated Leave**

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

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH**

The carrying amount of cash at December 31 was as follows:

	2003	2002
Demand deposits	\$731,882	\$72,882

**Deposits:** Deposits up to \$100,000 were insured by the Federal Depository Insurance Corporation. Deposits exceeding \$100,000 were not collateralized by the District's depository in the form of either pooled or pledged securities as required by the Ohio Revised Code for fiscal years 2003 and 2002. As of July 21, 2004, the District had adequate securities pledged in its name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,033,210	\$1,297,578	\$264,368

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$999,865	\$638,638	\$361,227

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,000	\$251,653	(\$8,347)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,816	\$178,771	\$81,045

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. 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.

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ambulance Note	\$138,999	4.00%

The District issued a note to finance the purchase of a new ambulance. The note was issued in November of 2003 in the amount of \$138,999 and matures in November of 2008. The note is collateralized solely by the District's taxing authority.

In 2003, the District paid off notes related to a rescue truck, emergency vehicle and a fire truck.

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

	Ambulance Note
Year ending December 31:	
2004	\$33,305
2005	31,690
2006	30,578
2007	29,466
2008	28,357
Total	\$153,396

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**6. 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 Ohio Public Employees Retirement System (OPERS) or pay into Social Security. OP&F and OPERS 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 2003 and 2002, members of OP&F participants contributed 10% of their wages. The District contributed an amount equal to 24% of their wages to OP&F. OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

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

Eastern Knox Count Joint Fire District  
Knox County, Ohio  
8599 Horn Road  
Gambier, Ohio 43022

To the Board of Trustees:

We have audited the financial statements of the Eastern Knox County Joint Fire District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated August 3, 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated August 3, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting 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 the District's management in a separate letter dated August 3, 2004.

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This report is intended 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 3, 2004



**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the District.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Prior certification by the Clerk was not obtained for all expenditures in 2003, and forty-nine percent of the transactions tested in fiscal year 2002, and none of the exceptions provided for were used. Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District funds being over expended or exceeding budgetary spending limitations, we recommend that the District Clerk certify that the funds are or will be available. When prior certification is not possible, then and now certification should be utilized.

**EASTERN KNOX COUNTY JOINT FIRE DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2003-002**

**Ohio Rev. Code Section 135.18** requires the treasurer of any public subdivision to require all depositories holding public funds to provide security for those public funds in an amount equal to the amount of deposit with the institution. Such security or collateral may consist of federal deposit insurance, surety company bonds, pledged securities, or as described in the Ohio Rev. Code Section 135.181, pooled collateral.

The District's Clerk did not secure collateral for deposits exceeding Federal Deposit Insurance Corporation (FDIC) coverage (\$100,000) during the audit period. The maximum amount of deposits uncollateralized during the audit period was \$803,588. However, adequate pledged securities were obtained from the District's depository institution on July 21, 2004.

To ensure District deposits are properly secured, the Clerk should request quarterly statements from the bank summarizing the type and amounts of pledged collateral.



**Auditor of State  
Betty Montgomery**

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**EASTERN KNOX COUNTY JOINT FIRE DISTRICT**

**KNOX 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  
SEPTEMBER 14, 2004**