



**PEASE-COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Pease-Colerain Township Fire District #1
Belmont County
P.O. Box 228
Lansing, Ohio 43934

To the Board of Trustees:

We have audited the accompanying financial statements of Pease-Colerain Township Fire District #1, Belmont County, Ohio, (the Fire District) as of and for the years ended December 31, 1999, December 31, 1998, and December 31, 1997. These financial statements are the responsibility of the Fire 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 generally accepted auditing standards 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 Fire 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 cash balance of the Fire District as of December 31, 1999, December 31, 1998 and December 31, 1997, and its cash receipts and cash 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 February 3, 2000, on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

February 3, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE -
FOR THE YEAR ENDED DECEMBER 31, 1999**

Cash Receipts:	
County Distribution	\$54,227
State Distribution	6,697
Interest	<u>233</u>
 Total Cash Receipts	 <u>61,157</u>
Cash Disbursements:	
Current:	
Salaries and Fringe Benefits	1,908
Materials and Supplies	80
Contracts	55,000
County Deductions	1,619
Office Expenses	<u>137</u>
 Total Cash Disbursements	 <u>58,744</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>2,413</u>
 Cash Balance, January 1	 <u>7,684</u>
 Cash Balance, December 31	 <u><u>\$10,097</u></u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE -
FOR THE YEAR ENDED DECEMBER 31, 1998**

Cash Receipts:	
County Distribution	\$45,566
State Distribution	6,745
Interest	193
Other Revenue	<u>8,156</u>
 Total Cash Receipts	 <u>60,660</u>
 Cash Disbursements:	
Current:	
Salaries and Fringe Benefits	3,690
Materials and Supplies	5,041
Utilities	3,213
Insurance	2,231
Contracts	48,152
County Deductions	1,174
Other Expenses	<u>1,873</u>
 Total Cash Disbursements	 <u>65,374</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>(4,714)</u>
 Cash Balance, January 1	 <u>12,398</u>
 Cash Balance, December 31	 <u><u>\$7,684</u></u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE -
FOR THE YEAR ENDED DECEMBER 31, 1997**

Cash Receipts:	
County Distribution	\$47,819
State Distribution	6,793
Interest	337
Other Revenue	<u>110</u>
 Total Cash Receipts	 <u>55,059</u>
 Cash Disbursements:	
Current:	
Salaries and Fringe Benefits	7,326
Materials and Supplies	10,518
Utilities	6,856
Insurance	3,564
Accounting and Auditing Services	2,101
Contracts	18,000
County Deductions	<u>1,266</u>
 Total Cash Disbursements	 <u>49,631</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>5,428</u>
 Cash Balance, January 1	 <u>6,970</u>
 Cash Balance, December 31	 <u><u>\$12,398</u></u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pease-Colerain Township Fire District #1, Belmont County, (the Fire 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 Fire District is directed by an appointed two-member Board of Trustees. One Board member is appointed by each political subdivision within the Fire District. Those subdivisions are Pease Township and Colerain Township. The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District.

The Fire District's management believes these financial statements present all activities for which the Fire 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. Budgetary Process

The Ohio Revised Code requires the Fire District to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 the beginning of the year cash balance. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Fire District to reserve (encumber) appropriations when commitments are made. The Fire District did not use the encumbrance method of accounting.

A summary of 1999, 1998, and 1997 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

2. EQUITY IN CASH

The Fire District maintains cash. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Demand deposits	<u>\$ 10,097</u>	<u>\$ 7,684</u>	<u>\$ 12,398</u>

Deposits: Deposits are fully insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999, December 31, 1998, and December 31, 1997, was as follows:

1999 Budgeted vs. Actual Receipts

<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
<u>\$ 48,500</u>	<u>\$ 61,157</u>	<u>\$ 12,657</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$ 47,880</u>	<u>\$ 58,744</u>	<u>\$ (10,864)</u>

1998 Budgeted vs. Actual Receipts

<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
<u>\$ 48,500</u>	<u>\$ 60,660</u>	<u>\$ 12,160</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 48,479	\$ 65,374	\$ (16,895)

1997 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 47,000	\$ 55,059	\$ 8,059

1997 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 0	\$ 49,631	\$ (49,631)

In 1999, 1998, and 1997, Fire District expenditures exceeded appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 State Distribution Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Fire District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Fire District.

5. RETIREMENT SYSTEMS

The Fire District's Trustees and the Clerk belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, 1998, and 1997, members of PERS contributed 8.5 percent of their gross salaries. The Fire District contributed an amount equal to 13.55 percent of participants' gross salaries. The Fire District has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Fire District has obtained commercial insurance for the following risk:

- Public officials' liability



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

Pease-Colerain Township Fire District #1
Belmont County
P.O. Box 228
Lansing, Ohio 43934

To the Board of Trustees:

We have audited the financial statements of Pease-Colerain Township Fire District #1, Belmont County, Ohio, (the Fire District), as of and for the years ended December 31, 1999, December 31, 1998, and December 31, 1997, and have issued our report thereon dated February 3, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Fire 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* which are described in the accompanying Schedule of Findings as items 1999-41007-001, 1999-41007-002, and 1999-41007-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Fire District in a separate letter dated February 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Fire District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item number 1999-41007-004.

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 that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness. 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 the management of the Fire District in a separate letter dated February 3, 2000.

This report is intended for the information and use of the management and 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

February 3, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41007-001

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Fire District had expenditures which exceeded appropriations at December 31, 1999, December 31, 1998, and December 31, 1997, in the amounts of \$10,864, \$16,895, and \$49,631, respectively.

We recommend the Fire District monitor expenditures to ensure that expenditures do not exceed appropriations.

FINDING NUMBER 1999-41007-002

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Trustees.

None of the Fire District's 1999, 1998, and 1997 expenditures were certified by the Clerk as to the availability of funds. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend the Fire District certify the availability of funds prior to incurring obligations.

FINDING NUMBER 1999-41007-003

Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adapted by the records commissions provided under Ohio Rev. Code Sections 149.38 to 149.42. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Fire District's minute record from January 1997 through May 1998, was not presented for audit.

We recommend the Fire District ensure the minutes of the Board of Trustees meetings be recorded and retained in a minute record book, as minutes are considered permanent records of a governmental entity.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-41007-004

Material Weakness

Monitoring Fire District Financial Activity

From January 1997 through May 1998, the Fire District Clerk misappropriated funds in the amount of \$8,152. The Fire District Board of Trustees approved the misappropriation of funds by signing the checks for these various expenditures. On May 10, 1998, the Clerk resigned and the Board of Trustees appointed a new Clerk, and discussed how to obtain repayment of the misappropriated monies with the Belmont County Assistant Prosecuting Attorney. A written agreement between the Fire District and the prior Clerk was entered into for the repayment of the misappropriated monies. On August 18, 1998, the prior Clerk issued a personal check in the amount of \$8,152 to the Fire District as payment in full. This repayment is reflected in the 1998 financial statement as "Other Revenue".

Pursuant to Ohio Rev. Code Section 505.371, the Fire District Board employed the Clerk to be its fiscal officer and to perform all accounting functions. There was no documentation of the extent to which the Board of Trustees reviewed financial information to monitor the financial activity of the Fire District.

We recommend the Board of Trustees carefully review pertinent financial information and make appropriate inquiries to help determine the integrity and accuracy of their financial information.



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PEASE-COLERAIN TOWNSHIP FIRE DISTRICT #1

BELMONT 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
MARCH 28, 2000