



**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Highland North Joint Fire District
Highland County
P. O. Box 544
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the accompanying financial statements of Highland North Joint Fire District, Highland 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.

Except as discussed in the following paragraph, 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.

Charges for Services reported in the General Fund are processed by a service organization that is independent of the Fire District. The service organization did not provide us with information regarding the design or proper operation of its internal control relative to the processing of the Fire District's ambulance run receipts. We were unable to perform procedures to satisfy ourselves as to the proper processing of the ambulance run receipts. Ambulance run receipts represent 21% of the Fire District's General Fund during 2001 and 5% during 2000.

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, except for the adjustments, if any, that would be necessary had we been able to examine the Charge's for Services activity in the General Fund, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances 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 April 12, 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.

This report is intended solely for the information and use of the 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 12, 2002

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GENERAL FUND -
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Revenue Receipts:		
Taxes	\$128,922	\$56,567
Charges for Services	44,009	6,309
Intergovernmental Receipts	22,009	8,708
Interest	3,816	2,551
Other Revenue	<u>2,358</u>	<u>37,523</u>
 Total Revenue Receipts	 <u>201,114</u>	 <u>111,658</u>
 Expenditure Disbursements:		
Current:		
Public Safety	144,434	52,265
Debt Service:		
Note Principal Payment	11,247	12,741
Interest	1,058	924
Capital Outlay	<u>0</u>	<u>18,391</u>
 Total Expenditure Disbursements	 <u>156,739</u>	 <u>84,321</u>
 Total Receipts Over(Under) Disbursements	 <u>44,375</u>	 <u>27,337</u>
 Fund Cash Balance, January 1	 <u>88,316</u>	 <u>60,979</u>
 Fund Cash Balance, December 31	 <u><u>\$132,691</u></u>	 <u><u>\$ 88,316</u></u>
 Reserve For Encumbrances, December 31	 <u><u>\$1,976</u></u>	 <u><u>\$2,370</u></u>

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

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**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland North Joint Fire District, Highland County, Ohio (the District), is a body corporate and politic established in March 1996 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. One board member is appointed by each political subdivision within the District and two at large members are appointed by District members. Those subdivisions are: the Village of Leesburg, Village of Highland and Fairfield Township. 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 Deposits

The District funds are deposited in a "NOW" checking account, passbook savings account, and certificates of deposits with a local commercial bank. Certificates of deposit are valued at cost. The District pools its cash for investment purposes to capture the highest rate of return.

D. Fund Accounting

The District has no funds that are required to be restricted as to use; therefore, the District classifies its funds as a General Fund. The General Fund is the general operating fund and is used to account for all financial resources.

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.

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND 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. 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. During fiscal year 2000, the District did not use the encumbrance method of accounting. During fiscal year 2001, the District did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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 Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 follows:

	2001	2000
Demand deposits	\$95,366	\$77,685
Certificates of deposit	37,325	10,631
Total deposits	\$132,691	\$88,316

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

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	\$176,200	\$201,114	\$24,914
Total	\$176,200	\$201,114	\$24,914

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,570	\$158,715	\$19,855
Total	\$178,570	\$158,715	\$19,855

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,555	\$111,658	\$48,103
Total	\$63,555	\$111,658	\$48,103

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,775	\$86,691	\$30,084
Total	\$116,775	\$86,691	\$30,084

The Fire District did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered as required by Ohio law.

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 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 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 District.

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$7,662	5.92%
Total	\$7,662	

The District issued a general obligation note to finance the purchase of a new tank truck. The note was issued on April 5, 1999 in the amount of \$44,988 and have maturities through April 5, 2002. The notes are collateralized solely by the District's taxing authority.

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

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
2002	\$7,938
Total	\$7,938

6. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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. PERS member employees 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 employer contributions to 8.13% effective July 1, 2000 through December 31, 2000. The District had not paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Highland North Joint Fire District has obtained commercial insurance for the following risks:

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



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Highland North Joint Fire District
Highland County
P. O. Box 544
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the accompanying financial statements of Highland North Joint Fire District, Highland County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 12, 2002, which was qualified since the District had insufficient documentation to support the ambulance billing Charges for Services receipts in the General fund for 2001 and 2000. Except for the above, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-40436-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 12, 2002.

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 2001-40436-001 through 2001-40436-002.

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 the reportable conditions described above as items 2001-40436-001 through 2001-40436-002 are material weaknesses. 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 April 12, 2002.

This report is intended for the information and use of the 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 12, 2002

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND 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 2001-40436-001

Noncompliance Citation/Material Weakness

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 for two exceptions to the above requirements:

1. 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 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.
2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

During 2000, one hundred percent of the expenditures tested were not properly certified or encumbered prior to incurring the obligation. During 2001, eighty three percent of the expenditures tested were not properly certified or encumbered prior to incurring the obligation and neither of the above exceptions were used. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

FINDING NUMBER 2001-40436-002

Reportable Condition/Material Weakness

The Highland North Joint Fire District has delegated ambulance billing processing and collecting, which is a significant accounting function, to a billing agency. The District has not established procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected in accordance with the ambulance billing contract.

We recommend that Highland North Joint Fire District implement procedures to reasonably assure the completeness, and accuracy of ambulance billing and collecting processed by their billing agency. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of bill processing controls which should satisfy this requirement. As described in that Statement, we suggest that the District obtain a “Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness” from the billing agency. Such a report, if unqualified, would provide evidence to the District’s management that ambulance billing and collecting were being processed in conformance with the contract.

We also recommend that the District specify in their contract with the third party administrator that an annual SAS 70 audit report be performed. The District should be provided a copy of the report timely and should review the report's content. A SAS 0 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

**HIGHLAND NORTH JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40436-01	ORC, Section 5705.41 (D) - Expenditures were not properly certified or encumbered prior to incurring the obligation.	No	Reissued as Finding 2001-40436-001
1999-40436-002	ORC 5705.41 (B) Disbursements exceeded appropriations	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

HIGHLAND NORTH JOINT FIRE DISTRICT

HIGHLAND 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**