



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Portage Joint Fire District
Ottawa County
242 West Water Street
P.O. Box 240
Oak Harbor, Ohio 43449-0240

To the Board of Trustees:

We have audited the accompanying financial statements of the Portage Joint Fire District (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 audits.

We conducted our audits 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 audits 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 audits provide 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 combined fund cash balances of the District, as of December 31, 2001 and 2000, and its combined 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 22, 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 audits.

This report is intended solely for the information and use of the audit committee, 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 22, 2002

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$141,948	\$155,458		\$297,406
Intergovernmental	19,285		\$19,468	38,753
Contributions	1,800			1,800
Earnings on Investments	7,187			7,187
Miscellaneous	9,347			9,347
Total Cash Receipts	<u>179,567</u>	<u>155,458</u>	<u>19,468</u>	<u>354,493</u>
Cash Disbursements:				
Current:				
Administrative Salaries	2,763			2,763
Administrative Supplies	1,334			1,334
Workers Compensation	1,570			1,570
Public Employees Retirement System / Social Security	11,550			11,550
Village Tax	459			459
Ohio Income Tax	823			823
County Auditor Deductions	2,640	2,892		5,532
Contracts	11,877		12,310	24,187
Dues	532			532
New Equipment	152,629			152,629
Insurance	13,686			13,686
Supplies	13,033			13,033
Improvement of Site	7,435			7,435
Rent	56			56
Employee Salaries	36,878			36,878
Personnel Training	8,312			8,312
Debt Service		152,490		152,490
Other	809			809
Utilities	11,827			11,827
Total Disbursements	<u>278,213</u>	<u>155,382</u>	<u>12,310</u>	<u>445,905</u>
Excess of Receipts Over/(Under) Disbursements	(98,646)	76	7,158	(91,412)
Fund Cash Balances, January 1	<u>88,308</u>	<u>74,518</u>	<u>36,416</u>	<u>199,242</u>
Fund Cash Balances, December 31	<u>(\$10,338)</u>	<u>\$74,594</u>	<u>\$43,574</u>	<u>\$107,830</u>

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

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$139,564	\$153,617		\$293,181
Intergovernmental	15,777		\$8,147	23,924
Charges for Services	2,100			2,100
Earnings on Investments	7,165			7,165
Miscellaneous	11,110			11,110
Total Cash Receipts	<u>175,716</u>	<u>153,617</u>	<u>8,147</u>	<u>337,480</u>
Cash Disbursements:				
Current:				
Administrative Salaries	2,479			2,479
Administrative Supplies	3,273			3,273
Workers Compensation	1,045			1,045
Public Employees Retirement System / Social Security	13,305			13,305
Village Tax	453			453
Ohio Income Tax	1,041			1,041
County Auditor Deductions	2,814	2,854		5,668
State Examiner's Fees	2,162			2,162
Contracts	9,153		599,290	608,443
Dues	1,591			1,591
New Equipment	57,145			57,145
Insurance	12,601			12,601
Maintenance of Equipment	19,803			19,803
Supplies	10,727			10,727
Rent	65			65
Employee Salaries	34,520			34,520
Personnel Training	7,570			7,570
Other	297			297
Utilities	15,477			15,477
Debt Service		76,245		76,245
Interest			2,509	2,509
Total Disbursements	<u>195,521</u>	<u>79,099</u>	<u>601,799</u>	<u>876,419</u>
Total Receipts Over/(Under) Disbursements	<u>(19,805)</u>	<u>74,518</u>	<u>(593,652)</u>	<u>(538,939)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes			601,799	601,799
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(19,805)</u>	<u>74,518</u>	<u>8,147</u>	<u>62,860</u>
Fund Cash Balances, January 1	<u>108,113</u>		<u>28,269</u>	<u>136,382</u>
Fund Cash Balances, December 31	<u><u>\$88,308</u></u>	<u><u>\$74,518</u></u>	<u><u>\$36,416</u></u>	<u><u>\$199,242</u></u>

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

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Portage Joint Fire District (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 three-member Board of Trustees. One board member is a representative from the Salem Township Trustees, the second board member is a representative from the Village of Oak Harbor Council, and the third board member is appointed with the approval of the Township and the Village. Those subdivisions are Salem Township and Village of Oak Harbor. 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 Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following significant Capital Project Fund(s):

Permanent Improvements Fund – This fund receives taxes to be used for the purchase and maintenance of fire fighting equipment.

Capital Projects Fund – This fund was used in 2000 to account for loan proceeds received and expenditures made to pay for a new fire truck.

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 canceled, and reappropriated in the subsequent year.

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 INVESTMENTS

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

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

	2001	2000
Demand deposits	\$69,912	\$128,028
Certificates of deposit	37,918	71,214
Total deposits	\$107,830	\$199,242

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool. For 2001, the District did not have a depository agreement with a local banking institution contrary to Ohio Revised Code § 135.12.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,500	\$179,567	\$42,067
Debt Service	145,250	155,458	10,208
Capital Projects		19,468	19,468
Total	\$282,750	\$354,493	\$71,743

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,900	\$278,213	(\$48,313)
Debt Service	152,500	155,382	(2,882)
Capital Projects		12,310	(12,310)
Total	\$382,400	\$445,905	(\$63,505)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,413	\$175,716	\$9,303
Debt Service	143,000	153,617	10,617
Capital Projects	650,000	609,946	(40,054)
Total	\$959,413	\$939,279	(\$20,134)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,870	\$195,521	\$13,349
Debt Service	143,000	79,099	63,901
Capital Projects	650,000	601,799	48,201
Total	\$1,001,870	\$876,419	\$125,451

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$48,313, the Debt Service fund by \$2,882, and the Capital Project fund by \$12,310 for the year ended December 31, 2001.

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 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.

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, 2001 was as follows:

	Principal	Interest Rate
Tax Anticipation Notes	\$427,065	7.25%

The District entered into a tax anticipation note to finance the purchase of a new fire truck and expenses associated with the elevator. The notes are collateralized solely by the District's taxing authority.

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

Year ending December 31:	Tax Anticipation Note
2002	\$152,490
2003	152,490
2004	152,490
2005	28,808
Total	\$486,278

6. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

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 has paid all contributions required through December 31, 2001.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose Social Security. Several employees of the District have elected Social Security. The Board's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

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

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

8. HOMESTEAD/ROLLBACK REVENUE

Contrary to Ohio Law, homestead/rollback revenue due the Permanent Improvement fund was posted to the General Fund in the amounts of \$19,468 for 2001 and \$8,147 for 2000.

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

Portage Joint Fire District
Ottawa County
242 West Water Street
P.O. Box 240
Oak Harbor, Ohio 43449-0240

To the Board of Trustees:

We have audited the accompanying financial statements of the Portage Joint Fire District (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 2001-30162-001, 2001-30162-002, and 2001-30162-003. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated August 22, 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. 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 management of the District in a separate letter dated August 22, 2002.

This report is intended solely for the information and use of the audit committee, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 22, 2002

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30162-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2001, the District had the following funds where disbursements exceed appropriations.

Fund	Appropriations	Disbursements	Variance
General	\$229,900	\$278,213	(\$48,313)
Debt Service	152,500	155,382	(2,882)
Permanent Improvement		12,310	(12,310)

The District should review expenditures versus appropriations during the course of the year in order to identify instances in which expenditures exceed amounts appropriated. This will allow the District to be aware of diminishing appropriations and allow for an amendment of appropriations before the line item is overspent. The failure to limit expenditures to amounts appropriated may result in expenditures exceeding available resources.

FINDING NUMBER 2001-30162-002

Noncompliance Citation

Ohio Revised Code § 5705.10 requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose to be paid into a special fund for such purpose.

Homestead/rollback taxes were all posted to the General Fund instead of spread out amongst the General Fund and Capital Project Fund.

The following adjustments have been posted to the financial statements.

Year	From Fund	To Fund	Amount
2001	General	Permanent Improvement	\$19,468
2000	General	Permanent Improvement	8,147

The failure to post revenues to the proper funds could allow the District to expend those revenues for unallowable purposes.

FINDING NUMBER 2001-30162-003

Noncompliance Citation

Ohio Revised Code § 135.12 states, that each governing board shall meet every five years on the third Monday or such regularly scheduled meeting date of the month next preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at the such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation. Designation and award shall be made in duplicate; one copy shall be retained by the governing board of the subdivision and one copy shall be certified to the treasurer.

The District did not renew their depository contract with the National Bank of Oak Harbor after their depository contract expired on December 31, 2000. Management was advised that the failure to designate the applicable depository for the District's deposits and investments could result in the loss of the District's deposits and investments if the banks were to default.

We recommend that the Board and the Clerk obtain the applicable depository agreements and approve this agreement for their current deposits and investments.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30162-001	Revised Code § 5705.41(D) for not certifying all expenditures	No	Partially corrected. Reported in the management letter.



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PORTAGE JOINT FIRE DISTRICT

OTTAWA 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 19, 2002**