



**Auditor of State
Betty Montgomery**

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Mantua-Shalersville Fire District
Portage County
3898 Winchell Road
Mantua, Ohio 44255

To the Board of Trustees:

We have audited the accompanying financial statements of the Mantua-Shalersville Fire District (the District) as of and for the years ended December 31, 2002 and 2001. 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2002 and 2001 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As further described in Note 1D, the district reclassified the General Fund Activity to the Special Revenue Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2003 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.

Mantua-Shalersville Fire District
Portage County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2003

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$851,283	\$344,932	\$83,380	\$1,279,595
Intergovernmental	103,504	31,634	17,754	152,892
Charges for Services	29,872			29,872
Earnings on Investments	30,405		67,723	98,128
Miscellaneous	27,207			27,207
	<u>1,042,271</u>	<u>376,566</u>	<u>168,857</u>	<u>1,587,694</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Public Safety	938,151			938,151
Debt Service:				
Redemption of Principal		3,822,143		3,822,143
Interest		141,323		141,323
Capital Outlay			1,668,405	1,668,405
	<u>938,151</u>	<u>3,963,466</u>	<u>1,668,405</u>	<u>6,570,022</u>
Total Disbursements				
Total Receipts Over/(Under) Disbursements	<u>104,120</u>	<u>(3,586,900)</u>	<u>(1,499,548)</u>	<u>(4,982,328)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds		3,700,696		3,700,696
Sale of Notes			40,000	40,000
Sale of Fixed Assets			7,200	7,200
		<u>3,700,696</u>	<u>47,200</u>	<u>3,747,896</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	104,120	113,796	(1,452,348)	(1,234,432)
Fund Cash Balances, January 1	<u>402,707</u>	<u>137</u>	<u>3,745,390</u>	<u>4,148,234</u>
Fund Cash Balances, December 31	<u>\$506,827</u>	<u>\$113,933</u>	<u>\$2,293,042</u>	<u>\$2,913,802</u>
Reserves for Encumbrances, December 31	<u>\$8,498</u>		<u>\$1,985,682</u>	<u>\$1,994,180</u>

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

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE 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>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$814,184		\$139,841	\$954,025
Intergovernmental	89,333		15,343	104,676
Charges for Services	38,472			38,472
Earnings on Investments	14,622		6,141	20,763
Miscellaneous	34,813		4,000	38,813
				<hr/>
Total Cash Receipts	<u>991,424</u>		<u>165,325</u>	<u>1,156,749</u>
Cash Disbursements:				
Current:				
Security of Persons and Property				0
General Government				0
Public Safety	946,595			946,595
Debt Service:				
Redemption of Principal		57,143		57,143
Interest		5,271		5,271
Capital Outlay			144,664	144,664
				<hr/>
Total Disbursements	<u>946,595</u>	<u>62,414</u>	<u>144,664</u>	<u>1,153,673</u>
Total Receipts Over/(Under) Disbursements	<u>44,829</u>	<u>(62,414)</u>	<u>20,661</u>	<u>3,076</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			3,717,188	3,717,188
Transfers-In		62,414		62,414
Advances-In			108,000	108,000
Transfers-Out			(62,414)	(62,414)
Advances-Out			(108,000)	(108,000)
				<hr/>
Total Other Financing Receipts/(Disbursements)		<u>62,414</u>	<u>3,654,774</u>	<u>3,717,188</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	44,829		3,675,435	3,720,264
Fund Cash Balances, January 1 (Restated - Note 6)	<u>357,878</u>	<u>137</u>	<u>69,955</u>	<u>427,970</u>
Fund Cash Balances, December 31	<u>\$402,707</u>	<u>\$137</u>	<u>\$3,745,390</u>	<u>\$4,148,234</u>
Reserves for Encumbrances, December 31	<u>\$2,298</u>		<u>\$285,158</u>	<u>\$287,456</u>

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

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mantua-Shalersville Fire District, Portage County, (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 appointed by each political subdivision within the District. Those subdivisions are Mantua Township, Mantua Village and Shalersville 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 Investments

Investments at the District are limited to a savings account, certificates of deposit and an interest bearing checking account. Interest earned is recognized and recorded when received.

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. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Fire District Fund – This fund receives most of its monies from a tax levy. This money is specifically used for the maintenance of fire apparatus, appliances, buildings, or sites.

Ambulance and Medical Services Fund - This fund receives most of its monies from a tax levy and charges for ambulance transports. This money is specifically used for the purpose of providing emergency ambulance and medical services.

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The District had the following debt service fund:

Building Bond Retirement Fund – This fund has one note which was issued for the purchased of a new fire station.

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 Funds.

Capital Equipment Fund - This fund receives taxes to be used for the purchase and maintenance of fire fighting equipment.

Building Fund – This fund received the proceeds from the bond issue.

4. Change in Accounting Policy:

The district reclassified it's General Fund Activity to the Special Revenue Fund Type. As the separate fire and ambulance activities represent the primary operating purposes of the District and the respective revenues are restricted as to use, the District has determined both activities should be reported in the Special Revenue Fund Type.

As a result of this fund type reclassification the Special Revenue Fund Type balance at January 1, 2001 has been restated from \$357,409 to \$357,878.

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.

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.

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A summary of 2002 and 2001 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.

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.

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:

	2002	2001
Demand deposits	\$2,312,474	\$502,939
Certificates of deposit	601,328	3,645,295
Total deposits	\$2,913,802	\$4,148,234

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$1,049,309	\$1,042,271	(\$7,038)
Debt Service	4,072,067	4,077,262	5,195
Capital Projects	186,214	216,057	29,843
Total	\$5,307,590	\$5,335,590	\$28,000

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$1,130,572	\$946,649	\$183,923
Debt Service	3,963,466	3,963,466	0
Capital Projects	3,886,258	3,654,087	232,171
Total	\$8,980,296	\$8,564,202	\$416,094

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$1,110,822	\$991,424	(\$119,398)
Debt Service	62,414	62,414	0
Capital Projects	3,863,172	3,882,513	19,341
Total	\$5,036,408	\$4,936,351	(\$100,057)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$1,101,850	\$948,893	\$152,957
Debt Service	62,415	62,414	1
Capital Projects	182,000	492,236	(310,236)
Total	\$1,346,265	\$1,503,543	(\$157,278)

The District is in violation of Ohio Revised Code Section 5705.41 (B), since the total expenditures plus its encumbrances exceeded its appropriation authority for the capital projects fund in 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.

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station-General Obligation Bonds	\$3,634,993	3.00% to 4.85%
Fire Truck-Tax Anticipation Note	28,571	4.10%
Ambulance-Promissory Note	<u>40,000</u>	3.60%
Total	<u><u>\$3,703,564</u></u>	

The District issued general obligation bonds to finance the construction of a new Fire Station. The bonds were issued on July 3, 2002 in the amount of \$3,699,993 and have semiannual maturities through December 1, 2021. The bonds are collateralized solely by the District's taxing authority. The District issued a tax anticipation note to finance the purchase of a new fire truck. The note was issued on April 29, 1999 in the amount of \$200,000 and has semiannual maturities through May 1, 2003. The District issued a short term promissory note to finance the purchase of a new ambulance. The note was issued on May 14, 2002 in the amount of \$40,000 and matures on May 12, 2003. The notes are collateralized solely by the District's taxing authority.

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

	<u>Ambulance</u>	<u>Fire Truck</u>	<u>Fire Station</u>
Year ending December 31:			
2003	\$41,440	\$30,036	\$294,388
2004			296,188
2005			297,640
2006			293,220
2007			224,513
2008 – 2012			1,304,169
2013 – 2017			1,475,305
2008 – 2021			<u>1,179,000</u>
Total	<u><u>\$41,440</u></u>	<u><u>\$30,036</u></u>	<u><u>\$5,364,423</u></u>

6. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE

An adjustment resulted in the restatement of the beginning of the year fund balance in the special revenue fund. A warrant issued by the District in 2000 (the prior audit period) was subsequently voided in 2001. The check amount was added back to the beginning balance. The table below presents the adjustment and the resulting effect on the fund balance.

Fund Balance as of January 1, 2001	<u>Special Revenue Fund</u>
Add: FY 2000 warrant voided in FY 2001	\$357,409
Restated Amounts December 31, 2000	<u>469</u>
	<u><u>\$357,878</u></u>

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RETIREMENT SYSTEMS

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PFDPF contributed 10% of their wages to the PFDPF. The District contributed an amount equal to 24% of their wages. PERS member employees 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, 2002.

8. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



**Auditor of State
Betty Montgomery**

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

Mantua-Shalersville Fire District
Portage County
3898 Winchell Road
Mantua, Ohio 44255

To the Board of Trustees:

We have audited the accompanying financial statements of the Mantua-Shalersville Fire District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 20, 2003. 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 item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 20, 2003.

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 one matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 20, 2003.

Mantua-Shalersville Fire District
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Betty Montgomery
Auditor of State

May 20, 2003

**MANTUA-SHALERSVILLE FIRE DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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

<i>Finding Number</i>	2002-001
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Noncompliance Citation

Ohio Revised Code Section 5705.41(B) Prohibits a subdivision from making expenditure unless it has been properly appropriated.

At the Mantua-Shalersville Fire District, the sum of the District's expenditures plus its encumbrances exceeded its appropriation authority in the capital projects fund by \$310,236 in 2001. The following chart summarizes the violation:

Capital Projects Fund 2001:

<u>Appropriation Authority</u>	<u>Expenditures plus Encumbrances</u>	<u>Variance</u>
\$182,000	\$492,236	(\$310,236)

The District should establish procedures to limit budgetary expenditures to appropriations. The District's Clerk may request the Board of Trustees to approve increased expenditure level by increasing appropriations and amending estimated resources, if necessary.



**Auditor of State
Betty Montgomery**

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MANTUA-SHALERSVILLE FIRE DISTRICT

PORTAGE 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
JULY 8, 2003**