



**Auditor of State
Betty Montgomery**

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - 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
Schedule of Prior Year Findings.....	14

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Portage Joint Fire District
Ottawa County
242 W. 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, Ottawa County, (the District) as of and for the years ended December 31, 2003 and 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 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, 2003 and 2002, 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 May 21, 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 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 21, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts				
Local Taxes	\$148,879	\$155,733		\$ 304,612
Intergovernmental	19,257	11,582		30,839
Contracts	2,100			2,100
Earnings on Investments	773			773
Miscellaneous	6,222			6,222
Total Cash Receipts	<u>177,231</u>	<u>167,315</u>		<u>344,546</u>
Cash Disbursements				
Current:				
Security of Persons and Property	114,256			114,256
General Government	18,536	3,048		21,584
Other	1,449			1,449
Debt Service:				
Redemption of Principal		167,316		167,316
Interest		15,276		15,276
Capital Outlay			\$ 8,166	8,166
Total Disbursements	<u>134,241</u>	<u>185,640</u>	<u>8,166</u>	<u>328,047</u>
Total Receipts Over/(Under) Disbursements	42,990	(18,325)	(8,166)	16,499
Fund Cash Balances, January 1	<u>33,593</u>	<u>50,667</u>	<u>8,166</u>	<u>92,426</u>
Fund Cash Balances, December 31	<u>\$ 76,583</u>	<u>\$ 32,342</u>	<u>\$ -</u>	<u>\$ 108,925</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, 2002

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts				
Local Taxes	\$144,171	\$151,868		\$ 296,039
Intergovernmental	19,926	19,735		39,661
Contracts	1,500			1,500
Earnings on Investments	2,253			2,253
Miscellaneous	5,403			5,403
Total Cash Receipts	<u>173,253</u>	<u>171,603</u>		<u>344,856</u>
Cash Disbursements				
Current:				
Security of Persons and Property	144,487			144,487
General Government	9,983	3,040		13,023
Other	3,051			3,051
Debt Service:				
Redemption of Principal		161,469		161,469
Interest		31,021		31,021
Capital Outlay			\$ 35,408	35,408
Total Disbursements	<u>157,521</u>	<u>195,530</u>	<u>35,408</u>	<u>388,459</u>
Total Receipts Over/(Under) Disbursements	<u>15,732</u>	<u>(23,927)</u>	<u>(35,408)</u>	<u>(43,603)</u>
Other Financing Receipts				
Proceeds from Sale of Public Debt:				
Sale of Notes	<u>28,201</u>			<u>28,201</u>
Total Other Financing Receipts	<u>28,201</u>			<u>28,201</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	43,933	(23,927)	(35,408)	(15,402)
Fund Cash Balances, January 1	<u>(10,340)</u>	<u>74,594</u>	<u>43,574</u>	<u>107,828</u>
Fund Cash Balances, December 31	<u>\$ 33,593</u>	<u>\$ 50,667</u>	<u>\$ 8,166</u>	<u>\$ 92,426</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, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Portage Joint Fire District, Ottawa 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 and one Board member is appointed jointly with approval of both subdivisions. Those subdivisions are the Village of Oak Harbor and Salem 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 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.

The Fire District held certificates of deposit at various times during the years 2002 and 2003 and such certificates were valued at cost. As of December 31, 2003 and 2002, the District owned no certificates of deposit.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

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 bonds and note indebtedness. The District had the following debt service fund:

Debt Levy Fund – This fund receives taxes to pay debt proceeds from a bank note.

3. Capital Project Fund

This fund used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following Capital Project Fund:

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

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 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.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

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 2003 and 2002 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:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$ 108,925</u>	<u>\$ 92,426</u>

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, 2003 and 2002 follows:

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 182,965	\$ 177,231	\$ (5,734)
Debt Service	167,315	167,315	
Total	<u>\$ 350,280</u>	<u>\$ 344,546</u>	<u>\$ (5,734)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 212,599	\$ 134,241	\$ 78,358
Debt Service	152,490	185,640	(33,150)
Capital Projects	-	8,166	(8,166)
Total	<u>\$ 365,089</u>	<u>\$ 328,047</u>	<u>\$ 37,042</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 182,965	\$ 201,454	\$ 18,489
Debt Service	142,600	171,603	29,003
Total	<u>\$ 325,565</u>	<u>\$ 373,057</u>	<u>\$ 47,492</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 212,599	\$ 157,521	\$ 55,078
Debt Service	152,490	195,530	(43,040)
Capital Projects		35,408	(35,408)
Total	<u>\$ 365,089</u>	<u>\$ 388,459</u>	<u>\$ (23,370)</u>

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at December 31, 2003 and 2002 in the Debt Service Fund by \$33,150 and \$43,040 respectively. The negative variance in the Capital Projects Fund type for both years was a result of audit adjustments.

Also contrary to Ohio law, appropriations exceeded estimated resources in the General Fund at December 31, 2003 and 2002 by \$8,107 and \$39,974, respectively.

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.

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan	<u>\$ 126,481</u>	<u>7.25%</u>

The District entered into a loan 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.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

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

<u>Year ending December 31:</u>	<u>Loan</u>
2004	<u>\$ 133,053</u>

6. RETIREMENT SYSTEMS

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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, OPERS member employees contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2003.

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 District's liability is 6.2 percent of the employees' gross salaries.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Commercial Property
- General Liability
- Portable Equipment
- Management Liability



**Auditor of State
Betty Montgomery**

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

Portage Joint Fire District
Ottawa County
242 W. 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, Ottawa County, (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 21, 2004. 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.

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 2003-001 and 2003-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 21, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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 May 21, 2004.

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.



Betty Montgomery
Auditor of State

May 21, 2004

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2003 and 2002, the District's expenditures exceeded appropriations in the Debt Service Fund – Debt Service Levy by \$33,150 and \$43,040 respectively.

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

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.39 states that total appropriations from each fund shall not exceed total estimated revenue as certified by the county budget commission. At December 31, 2003 and 2002, the District's appropriations exceeded estimated resources in the General Fund by \$8,107 and \$39,974 respectively.

The failure to limit appropriations to estimated revenue could result in expenditures exceeding available resources. The District should review estimated resources prior to appropriating the funds.

**PORTAGE JOINT FIRE DISTRICT
OTTAWA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30162-001	ORC § 5705.41 (B), Expenditures exceeding appropriations	No	Not corrected. Repeated as Finding 2003-001.
2001-30162-002	ORC § 5705.10, Improper division of Homestead/Roll-back Taxes	No	Partially corrected. Reported in Management Letter.
2001-30162-003	ORC § 135.12, Designation of a public depository	Yes	



**Auditor of State
Betty Montgomery**

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

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
JUNE 24, 2004**