



**Auditor of State
Betty Montgomery**

HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 25, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Highland North Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for the years then ended. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Highland County North Joint Fire and Ambulance District, Highland County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 25, 2006

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$161,140	\$84,437	\$0	\$245,577
Intergovernmental	54,689	204	0	54,893
Charges for Services	57,756	0	0	57,756
Earnings on Investments	2,436	1,342	0	3,778
Miscellaneous	18,801	0	0	18,801
	294,822	85,983	0	380,805
Cash Disbursements:				
Current:				
Public Safety	368,684	0	0	368,684
Debt Service:				
Redemption of Principal	0	1,000,000	0	1,000,000
Interest	0	30,675	0	30,675
Capital Outlay	1,245	0	108,574	109,819
	369,929	1,030,675	108,574	1,509,178
Total Receipts Over/(Under) Disbursements	(75,107)	(944,692)	(108,574)	(1,128,373)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	930,455	0	930,455
Other Uses	0	(5,346)	0	(5,346)
	0	925,109	0	925,109
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(75,107)	(19,583)	(108,574)	(203,264)
Fund Cash Balances, January 1	291,592	55,774	108,574	455,940
Fund Cash Balances, December 31	\$216,485	\$36,191	\$0	\$252,676
Reserves for Encumbrances, December 31	\$203	\$0	\$0	\$203

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$126,445	\$64,339	\$0	\$190,784
Intergovernmental	59,911	14,405	0	74,316
Charges for Services	44,198	0	0	44,198
Earnings on Investments	4,133	0	6,677	10,810
Miscellaneous	9,737	0	0	9,737
	244,424	78,744	6,677	329,845
Cash Disbursements:				
Current:				
Public Safety	171,806	0	0	171,806
Debt Service:				
Redemption of Principal	0	1,000,000	0	1,000,000
Interest	0	22,970	0	22,970
Capital Outlay	0	0	897,995	897,995
	171,806	1,022,970	897,995	2,092,771
Total Receipts Over/(Under) Disbursements	72,618	(944,226)	(891,318)	(1,762,926)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	1,005,360	0	1,005,360
Other Uses	0	(5,360)	(500)	(5,860)
	0	1,000,000	(500)	999,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,618	55,774	(891,818)	(763,426)
Fund Cash Balances, January 1	218,974	0	1,000,392	1,219,366
Fund Cash Balances, December 31	\$291,592	\$55,774	\$108,574	\$455,940
Reserves for Encumbrances, December 31	\$153	\$0	\$0	\$153

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland County 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 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. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The District had the following significant Capital Project Fund:

Building Fund - This fund received proceeds of a note for the purpose of building a new fire and ambulance building.

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds accumulate resources to pay bond and note indebtedness. The District issued Bond Anticipation Notes during 2004. In 2005 the District rolled the bond over, the new maturity date is December 14, 2006.

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.

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 2005 and 2004 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 District maintains a cash and deposit pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$190,091	\$443,541
Certificates of deposit	62,585	12,399
Total deposits	<u>\$252,676</u>	<u>\$455,940</u>

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,975	\$294,822	\$38,847
Debt Service	1,049,860	1,016,438	(33,422)
Total	\$1,305,835	\$1,311,260	\$5,425

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$369,853	\$370,132	(\$279)
Debt Service	998,180	1,036,021	(37,841)
Capital Projects	165,241	108,574	56,667
Total	\$1,533,274	\$1,514,727	\$18,547

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,998	\$244,424	\$45,426
Debt Service	1,077,880	1,084,104	6,224
Capital Projects	0	6,677	6,677
Total	\$1,276,878	\$1,335,205	\$58,327

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,900	\$171,959	\$57,941
Debt Service	1,027,643	1,028,330	(687)
Capital Projects	1,000,000	898,495	101,505
Total	\$2,257,543	\$2,098,784	\$158,759

Contrary to Ohio law, the District did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered.

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.

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX (Continued)

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, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Note	<u>\$925,000</u>	4.00%

The Building Fund note proceeds were used to build a new fire and ambulance building. The note matures December 14, 2006. The loan is collateralized solely by the District's taxing authority.

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 2005 and 2004; 4% of covered payroll was the portion that was used to fund health care. The District has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of Highland County North Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated October 25, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the District's management dated October 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated October 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Highland County North Joint Fire and Ambulance District
Highland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, and the Board of Trustees, and is not intended for 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

October 25, 2006



**Auditor of State
Betty Montgomery**

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NORTH JOINT FIRE AND AMBULANCE 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
NOVEMBER 9, 2006**