



**Auditor of State
Betty Montgomery**

ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY

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**Auditor of State
Betty Montgomery**

Allen-Clay Joint Fire District
Ottawa County
3155 N. Genoa Clay Center Road
Genoa, Ohio 43430-9464

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

September 12, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Allen-Clay Joint Fire District
Ottawa County
3155 N. Genoa Clay Center Road
Genoa, Ohio 43430-9464

To the Board of Trustees:

We have audited the accompanying financial statements of Allen-Clay Joint Fire District, Ottawa County, (the District) as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits 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 audits provide 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Allen-Clay Joint Fire District, Ottawa County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 September 12, 2005, 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 audits.



Betty Montgomery
Auditor of State

September 12, 2005

**ALLEN-CLAY 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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$581,132		\$581,132
Intergovernmental	198,309		198,309
Charges for Services	40,000	\$191,914	231,914
Earnings on Investments	14,475		14,475
Miscellaneous	732		732
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	834,648	191,914	1,026,562
Cash Disbursements:			
Current:			
Security of Persons and Property	412,807	53,679	466,486
General Government	253,224		253,224
Debt Service:			
Redemption of Principal	23,997	62,312	86,309
Interest	9,076	5,726	14,802
Capital Outlay	224,489		224,489
	<hr/>	<hr/>	<hr/>
Total Disbursements	923,593	121,717	1,045,310
Total Receipts Over/ (Under) Disbursements	<hr/> (88,945)	<hr/> 70,197	<hr/> (18,748)
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Notes	35,119		35,119
Sale of Fixed Assets	2,500		2,500
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	37,619		37,619
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(51,326)	70,197	18,871
Fund Cash Balances, January 1	<hr/> 311,577	<hr/> 39,899	<hr/> 351,476
Fund Cash Balances, December 31	<hr/> \$260,251	<hr/> \$110,096	<hr/> \$370,347

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

**ALLEN-CLAY 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>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$588,898		\$588,898
Intergovernmental	86,478		86,478
Charges for Services	40,000	\$51,450	91,450
Earnings on Investments	13,215		13,215
Miscellaneous	7,719		7,719
	<u>736,310</u>	<u>51,450</u>	<u>787,760</u>
Total Cash Receipts			
	<u>736,310</u>	<u>51,450</u>	<u>787,760</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	402,210	41,327	443,537
General Government	161,604		161,604
Debt Service:			
Redemption of Principal	245,788		245,788
Interest	14,414		14,414
Capital Outlay	262,334		262,334
	<u>1,086,350</u>	<u>41,327</u>	<u>1,127,677</u>
Total Disbursements			
	<u>1,086,350</u>	<u>41,327</u>	<u>1,127,677</u>
Total Receipts Over/(Under) Disbursements	<u>(350,040)</u>	<u>10,123</u>	<u>(339,917)</u>
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Notes	375,816		375,816
Other Sources	2		2
	<u>375,818</u>		<u>375,818</u>
Total Other Financing Receipts			
	<u>375,818</u>		<u>375,818</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	25,778	10,123	35,901
Fund Cash Balances, January 1	<u>285,799</u>	<u>29,776</u>	<u>315,575</u>
Fund Cash Balances, December 31	<u><u>\$311,577</u></u>	<u><u>\$39,899</u></u>	<u><u>\$351,476</u></u>

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

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Allen-Clay Joint Fire District, Ottawa County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Each subdivision also appoints one alternate that is to serve in case the primary Board member cannot attend meetings. Those subdivisions are Clay Township, Allen Township, the Village of Genoa, and the Village of Clay Center. 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 the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. 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 accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds account for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The District had the following significant special revenue fund:

EMS Fund – This fund is used to record the receipts and disbursements for the ambulance and paramedics for the District. Revenues are derived from billing for runs made.

D. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 at December 31 follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$370,347	\$351,476

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged through a line of credit by the financial institution to the District.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$866,708	\$872,267	\$5,559
Special Revenue	114,000	191,914	77,914
Total	<u>\$980,708</u>	<u>\$1,064,181</u>	<u>\$83,473</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,176,908	\$923,593	\$253,315
Special Revenue	149,158	121,717	27,441
Total	<u>\$1,326,066</u>	<u>\$1,045,310</u>	<u>\$280,756</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$688,500	\$1,112,128	\$423,628
Special Revenue	30,704	51,450	20,746
Total	<u>\$719,204</u>	<u>\$1,163,578</u>	<u>\$444,374</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$969,198	\$1,086,350	(\$117,152)
Special Revenue	60,480	41,327	19,153
Total	<u>\$1,029,678</u>	<u>\$1,127,677</u>	<u>(\$97,999)</u>

The negative variance where expenditures exceeded appropriations above was due to an audit adjustment to reflect all the debt activity on the District's books.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 owners assess that property. The property owners must file a tangible property list to the County by each April 30.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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, 2004 was as follows:

	Principal	Interest Rate
SUV Loan	\$26,738	3.99%
Mortgage on Property	171,393	4.5
Total	\$198,131	

The District took out a 10 year mortgage to finance the purchase of the District's headquarters building and surrounding land. The loan was originally issued on October 30, 2001 and refinanced on September 18, 2003. The amount refinanced was \$190,816. Monthly payments are due through September 2013. The loan is collateralized solely by the mortgaged property.

The District also took a 36 month loan to purchase a SUV for the paramedics' vehicle. The loan was issued March 10, 2004 and has monthly payments due through March 10, 2007. The loan is collateralized solely by the vehicle being purchased.

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

Year ending December 31:	Mortgage on Property	SUV Loan
2005	\$23,734	\$12,452
2006	23,734	12,453
2007	23,734	3,113
2008	23,734	
2009	23,735	
2010-2013	89,005	
Total	\$207,676	\$28,018

Leases outstanding at December 31, 2004 were as follows:

	Principal	Interest Rate
2 Ambulances	\$135,591	3.71%
LifePak Defibrillator/Monitor	11,488	0%
Total	\$147,079	

The District purchased 2 ambulances through lease/purchase financing. The lease was entered into on April 24, 2003 and has monthly payments due through April 24, 2008.

The District also purchased 3 LifePak Defibrillator/Monitors through lease/purchase financing. The lease was entered into on April 10, 2003 and has monthly payments due through April 10, 2005.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

Year ending December 31:	Ambulance Lease	LifePak Defibrillator/ Monitor Lease
2005	\$40,466	\$11,488
2006	40,466	
2007	40,466	
2008	23,605	
Total	\$145,003	\$11,488

6. RETIREMENT SYSTEMS

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F contributed 10 percent of their wages to the OP&F. The District contributed an amount equal to 24 percent of their wages. 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.

7. RISK MANAGEMENT

Commercial Insurance

The Allen-Clay Joint Fire District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Crime Coverage;
- Automobile Coverage;
- Portable Equipment Coverage;
- Management Liability Coverage; and
- Commercial Umbrella.

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**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***

Allen-Clay Joint Fire District
Ottawa County
3155 N. Genoa Clay Center Road
Genoa, Ohio 43430-9464

To the Board of Trustees:

We have audited the financial statements of the Allen-Clay Joint Fire District, Ottawa County, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 12, 2005, 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 audits 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 audits, 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. In a separate letter to the District's management dated September 12, 2005, 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 audits 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 September 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 12, 2005



**Auditor of State
Betty Montgomery**

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ALLEN-CLAY 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
OCTOBER 11, 2005**