



**Auditor of State
Betty Montgomery**

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Year Ended December 31, 2004	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Year Ended December 31, 2003	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Year Findings	15

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**Auditor of State
Betty Montgomery**

Big Walnut Joint Fire District
Morrow County
P.O. Box 217
Marengo, Ohio 43334

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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 5, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Big Walnut Joint Fire District
Morrow County
P.O. Box 217
Marengo, Ohio 43334

To the Board of Trustees:

We have audited the accompanying financial statements of the Big Walnut Joint Fire District, Morrow County, Ohio, (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 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. 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 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.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Big Walnut Joint Fire District, Morrow County, Ohio, as of December 31, 2004 and 2003, and its 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 July 5, 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 audit.



Betty Montgomery
Auditor of State

July 5, 2005

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>
Cash Receipts:	
Local Taxes	\$136,970
Intergovernmental	26,122
Charges for Services	80,322
Earnings on Investments	2
Miscellaneous	<u>12,459</u>
 Total Cash Receipts	 <u>255,875</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	51,162
General Government	37,028
Other	9,760
Debt Service:	
Redemption of Principal	90,978
Interest	36,903
Capital Outlay	<u>32,375</u>
 Total Cash Disbursements	 <u>258,206</u>
 Total Receipts Over/(Under) Disbursements	 (2,331)
 Fund Cash Balances, January 1	 <u>32,247</u>
 Fund Cash Balances, December 31	 <u><u>\$29,916</u></u>

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

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>
Cash Receipts:	
Local Taxes	\$133,248
Intergovernmental	15,983
Charges for Services	98,475
Earnings on Investments	313
Miscellaneous	<u>3,573</u>
 Total Cash Receipts	 <u>251,592</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	42,646
General Government	46,484
Other	12,153
Debt Service:	
Redemption of Principal	82,909
Interest	55,488
Capital Outlay	<u>61,717</u>
 Total Cash Disbursements	 <u>301,397</u>
 Total Receipts Over/(Under) Disbursements	 (49,805)
 Fund Cash Balances, January 1	 <u>82,052</u>
 Fund Cash Balances, December 31	 <u><u>\$32,247</u></u>

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

**BIG WALNUT JOINT FIRE DISTRICT
MORROW 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 Big Walnut Joint Fire District, Morrow County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Bennington Township, Chester Township, Village of Marengo, Village of Chesterville, and Harmony 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 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. Cash and Investments

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function 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.

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

2. CASH AND INVESTMENTS

The District maintains cash and investments. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2004	2003
Demand deposits	\$29,916	\$25,000
Repurchase agreement		7,247
Total deposits and investments	<u>\$29,916</u>	<u>\$32,247</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$236,267	\$255,875	\$19,608
Total	<u>\$236,267</u>	<u>\$255,875</u>	<u>\$19,608</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,955	\$258,206	\$1,749
Total	<u>\$259,955</u>	<u>\$258,206</u>	<u>\$1,749</u>

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$231,667	\$251,592	\$19,925
Total	\$231,667	\$251,592	\$19,925

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$312,631	\$301,397	\$11,234
Total	\$312,631	\$301,397	\$11,234

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.

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
Fire Truck and Tanker Note	\$ 99,072	5.00%
2001 Fire Station Construction Note	609,386	4.51%
2002 Fire Station Construction Note	44,471	3.25%
Total	\$ 752,929	

The District issued a general obligation note to finance the purchase of a new tanker and truck. The Note was issued on May 3, 1999 in the amount of \$301,414 with a term of seven years. Payments will be made in semi-annual installments. The Note is collateralized by the District's taxing authority and the vehicles.

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

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

5. DEBT (Continued)

The District issued general obligation notes to finance the construction of a new fire station. The notes were issued in January, 2001 in the amount of \$750,000 with a term of fifteen years. Payments will be made in 180 monthly installments. The District then issued a general obligation note to finance the completion of the construction of the new fire station. The second notes were issued on December 4, 2002, in the amount of \$50,000 with a term of fifteen years. The notes are collateralized by the District's taxing authority and revenue flows from all contracts between the District and other municipalities.

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

Year ending December 31:	Fire and Tanker Notes	2001 Fire Station Construction Notes	2002 Fire Station Construction Notes
2005	\$52,727	\$70,882	\$4,273
2006	52,727	70,882	4,273
2007	0	70,882	4,273
2008	0	70,882	4,273
2009	0	70,882	4,273
2010 – 2017	0	418,165	32,996
Total	\$105,453	\$772,575	\$54,361

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of PERS contributed 8.5% percent of their wages to PERS. The District contributed an amount equal to 13.55% percent of the Clerk's gross salary for 2004 and 2003. The District has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

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

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

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

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

8. MANAGEMENT'S PLAN/FINANCIAL CONDITION

At December 31, 2004 the Fire District had an ending cash balance of \$29,916. The District receives the majority of its operating revenue from real estate taxes which totaled \$136,970 in fiscal year 2004. In addition, the District received \$80,322 from other local governmental entities as payment for providing fire services. However, in addition to regular operating expenses of \$97,950, the District made \$127,881 in debt service payments which includes principal and interest for notes related to the construction of the fire station and the acquisition of fire equipment. The debt service requirements could have a negative overall financial effect on the District which could cause a cash flow deficiency, or cause the District to experience periods where available operating revenue is not sufficient to meet its current operating expenses. In an effort to increase cash flow, and decrease expenses, the Fire District is actively pursuing the lease of new fire equipment through a government acquisition program where new equipment can be leased for an amount much less than the cost to purchase new equipment.

The District is also supporting Harmony Township, who contracts with the District for fire services, with their efforts to place an additional 1 mill fire service levy on the ballot during the next election period. Further, the District has recently refinanced their outstanding notes at lower interest rates which will result in overall interest savings for these outstanding debt obligations. Management believes that these measures will increase cash flow and provide greater assurance over the overall cash position of the District.

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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***

Big Walnut Joint Fire District
Morrow County
P.O. Box 217
Marengo, Ohio 43334

To the Board of Trustees:

We have audited the financial statements of the Big Walnut Joint Fire District, Morrow County, (the District) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated July 5, 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 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. In a separate letter to the District's management dated July 5, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the District's management dated July 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

July 5, 2005

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Section 5705.41(B) – Expenditures in excess of Appropriations	No.	Partially Corrected. Management Letter comment for current period.



**Auditor of State
Betty Montgomery**

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**BIG WALNUT JOINT FIRE DISTRICT
MORROW 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
AUGUST 4, 2005**