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Pleasant Valley Joint Fire District Union County 650 West Main Street Plain City, Ohio 43064

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.

Betty Montgomery Auditor of State

Betty Montgomeny

July 26, 2005

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INDEPENDENT ACCOUNTANTS' REPORT

Pleasant Valley Joint Fire District Union County 650 West Main Street Plain City, Ohio 43064

To the Board of Trustees:

We have audited the accompanying financial statements of Pleasant Valley Joint Fire District, Union County, Ohio (the District) as of and for the years ended December 31, 2004 and December 31, 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 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215 Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199 www.auditor.state.oh.us Pleasant Valley Joint Fire District Union County Independent Accountants' Report Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Pleasant Valley Joint Fire District, Union County, as of December 31, 2004 and December 31, 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 26, 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

Betty Montgomery

July 26, 2005

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

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Totals (Memorandum Only)	
Cash Receipts:					
Local Taxes	\$1,293,754	\$0	\$0	\$1,293,754	
Intergovernmental	175,723	0	0	175,723	
Charges for Services	15,500	99,839	0	115,339	
Earnings on Investments	8,259	0	0	8,259	
Miscellaneous	98,116	0	0	98,116	
Total Cash Receipts	1,591,352	99,839	0	1,691,191	
Cash Disbursements: Current:					
Security of Persons and Property	1,163,552	48,725	0	1,212,277	
General Government	96,487	0	0	96,487	
Debt Service:	33, 131	· ·	· ·	33, 131	
Redemption of Principal	0	0	74,893	74,893	
Interest	0	0	107,740	107,740	
Capital Outlay	128,845	0	0	128,845	
Total Cash Disbursements	1,388,884	48,725	182,633	1,620,242	
Total Receipts Over/(Under) Disbursements	202,468	51,114	(182,633)	70,949	
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Public Debt:	00.000			00.000	
Proceeds from Note	32,000	0	0	32,000	
Transfers-In	(405.075)	0	185,075	185,075	
Transfers-Out	(185,075)	0	0	(185,075)	
Total Other Financing Receipts/(Disbursements)	(153,075)	0	185,075	32,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements					
and Other Financing Disbursements	49,393	51,114	2,442	102,949	
Fund Cash Balances, January 1	196,438	111,590	645	308,673	
Fund Cash Balances, December 31	\$245,831	\$162,704	\$3,087	\$411,622	

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Project	Totals (Memorandum Only)
Cash Receipts:					
Local Taxes	\$1,282,972	\$0	\$0	\$0	\$1,282,972
Intergovernmental	154,453	0	0	0	154,453
Charges for Services	15,500	124,023	0	0	139,523
Earnings on Investments	6,656	0	0	0	6,656
Miscellaneous	24,387	0	647	0	25,034
Total Cash Receipts	1,483,968	124,023	647	0	1,608,638
Cash Disbursements:					
Current:					
Security of Persons and Property	1,120,562	46,590	0	0	1,167,152
General Government	122,104	0	0	0	122,104
Debt Service:					
Redemption of Principal	0	0	74,702	0	74,702
Interest	0	0	112,154	0	112,154
Capital Outlay	22,300	1,579	0	15,670	39,549
Total Cash Disbursements	1,264,966	48,169	186,856	15,670	1,515,661
Total Receipts Over/(Under) Disbursements	219,002	75,854	(186,209)	(15,670)	92,977
Other Financing Receipts/(Disbursements):					
Transfers-In	0	0	186,854	0	186,854
Transfers-Out	(186,854)	0	0	0	(186,854)
Total Other Financing Receipts/(Disbursements)	(186,854)	0	186,854	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements					
and Other Financing Disbursements	32,148	75,854	645	(15,670)	92,977
Fund Cash Balances, January 1	164,290	35,736	0	15,670	215,696
Fund Cash Balances, December 31	\$196,438	\$111,590	\$645	\$0	\$308,673

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

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 Pleasant Valley Joint Fire District, Union 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 Canaan and Darby Townships located in Madison County, the Village of Unionville Center and Darby Townships located in Union County, and the Village of Plain City located in Madison County. The District provides fire protection, rescue services, ambulance and EMS 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.

The District did not purchase or sale any investments during the audit period.

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

2. Special Revenue Fund

This fund accounts for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Ambulance and Emergency Medical Service Fund – This fund receives revenue from billings for emergency runs. This revenue is used for the payment of costs of management, maintenance and operation of ambulance and emergency medical services in the District.

3. Debt Service Fund

This fund accumulates resources to pay lease payments related to the new Fire Station and all equipment purchases.

4. Capital Projects Fund

This fund is used to pay expenditures associated with the Fire station building completion.

E. 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, 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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

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

	2004	2003
Demand deposits	\$411,622	\$308,673

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,818,154	\$1,623,352	(\$194,802)
Special Revenue	204,590	99,839	(104,751)
Debt Service	190,645	185,075	(5,570)
Total	\$2,213,389	\$1,908,266	(\$305,123)
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$1,802,350	\$1,573,959	\$228,391
Special Revenue	200,000	48,725	151,275
Debt Service	190,276	182,633	7,643
Total	\$2,192,626	\$1,805,317	\$387,309

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

3. **BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,648,011	\$1,483,968	(\$164,043)
Special Revenue	159,757	124,023	(35,734)
Debt Service	202,527	187,501	(15,026)
Total	\$2,010,295	\$1,795,492	(\$214,803)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$1,610,668	\$1,451,820	\$158,848
Special Revenue	141,000	48,169	92,831
Debt Service	186,856	186,856	0
Capital Projects	15,670	15,670	0
Total	\$1,954,194	\$1,702,515	\$251,679

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
Promissory Note	\$80,262	5.00%

On May 22, 2004 the District refinanced a promissory note and borrowed and additional \$32,000 on a new promissory note from their financial institution.

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

5. DEBT (Continued)

The original note was issued to complete construction of the new building and the additional proceeds were used to purchase equipment. Payments will be made through June 15, 2011.

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

Year ending December 31:	
2005	\$14,616
2006	\$14,616
2007	\$14,616
2008	\$14,616
2009	\$14,616
2010 – 2011	21,924
Total	\$95,004

6. CAPITALIZED LEASE - LESEE DISCLOSURE

During 1999, Union County issued \$2,000,000 in revenue bonds for the purpose of constructing the new fire station and refinancing (current refunding) the surcharge of a fire engine and ambulance. The amount of debt refunded by the County for District obligations amounted to \$141,383. The District has entered into a capital lease with the County for the purchase of the fire station and equipment after all debt requirements has been made. The lease payments are equal to the debt service requirements the District is making to the bond trustee, US Bank. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases, " which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments as of December 31, 2004.

2005	\$176,825
2006	\$173,075
2007	\$174,325
2008	\$174,425
2009	\$174,219
2010 – 2014	880,444
2015 – 2019	875,262
Total minimum lease payments	\$2,628,575
Less: Amount representing interest	(938,575)
Present value of minimum lease	\$1,690,000
payments	

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

7. RETIREMENT SYSTEMS

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). District part-time fire fighters belong to Social Security. 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, the District made member (10 percent of gross salaries) and District (24 percent of gross salaries) contributions to OP&F equal to 34 percent of their gross salaries in accordance with the union negotiated agreement. The District made OPERS member (8.5 percent of gross salaries) and District (13.55 percent of gross salaries) contributions to OPERS equal to 22.05 percent of their gross salaries in accordance with Board policy.

For 2004 and 2003, the District's part-time fire fighters contributed 6.2 percent of their gross salaries to Social Security. The District contributed an amount equal to 6.2 percent of the part-time employees' gross salaries.

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, dental and vision insurance coverage to full-time employees through private carriers.



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

Pleasant Valley Joint Fire District Union County 650 West Main Street Plain City, Ohio 43064

To the Board of Trustees:

We have audited the financial statements of the Pleasant Valley Joint Fire District, Union County, Ohio (the District) as of and for the year ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated July 26, 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 26, 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 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*.

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Pleasant Valley Joint Fire District Union 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 audit committee, management and Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery Auditor of State

Betty Montgomery

July 26, 2005



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PLEASANT VALLEY JOINT FIRE DISTRICT UNION 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED AUGUST 25, 2005