

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

District Board
Polk Jackson Perry Fire District
P. O. Box 275
Polk, Ohio 44866-0275

We have reviewed the *Independent Accountants' Report* of the Polk Jackson Perry Fire District, Ashland County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Polk Jackson Perry Fire District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 27, 2005

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**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Polk Jackson Perry Fire District
Ashland County
PO Box 275
Polk, Ohio 44866-0275

To the Board of Trustees:

We have audited the accompanying financial statements of the Polk Jackson Perry Fire District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003. These financial statements which are prescribed or permitted by the Auditor of the State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District has prepared its 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 require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the State of Ohio 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 Milton District, Ashland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

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 Government 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 a report dated December 8, 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 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.

Knox & Knox

Orrville, Ohio
December 8, 2005

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash Receipts:		
Local Taxes	\$134,387	\$138,546
Intergovernmental	53,644	33,622
Licenses, Permits and Fees	41,649	8,077
Earnings on Investments	279	312
Other Revenue	<u>620</u>	<u>66</u>
Total Cash Receipts	<u>230,579</u>	<u>180,623</u>
 Cash Disbursements:		
Current:		
Public Safety	87,285	97,027
Capital Outlay	49,603	
Debt Service:		
Redemption of Principal	41,428	41,428
Interest and Fiscal Charges	<u>37,196</u>	<u>37,626</u>
Total Cash Disbursements	<u>215,512</u>	<u>176,081</u>
Total Receipts Over/(Under) Disbursements	<u>15,067</u>	<u>4,542</u>
 Fund Cash Balance, January 1	 <u>54,853</u>	 <u>50,311</u>
 Fund Cash Balance, December 31	 <u>\$ 69,920</u>	 <u>\$ 54,853</u>
 Reserve For Encumbrances, December 31	 <u>\$ 3,237</u>	 <u>\$ 2,102</u>

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

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**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Polk Jackson Perry Fire District, Ashland County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District provides fire protection services to the Village of Polk, Jackson Township and the northern half of Perry Township. The District is directed by an appointed three-member Board. One board member is appointed by each political subdivision within the District. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection for the subdivisions.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The District maintain its deposits in a non-interest bearing checking account and STAR Ohio. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported to the State Treasurer.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The General Fund is the general operating fund and is used to account for all financial resources of the District.

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 reserves (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not certify all commitments required by Ohio law.

A summary of 2004 and 2003 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.

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$49,254	\$ 24,467
STAR Ohio	<u>20,666</u>	<u>30,387</u>
Total deposits and investments	<u>\$69,920</u>	<u>\$54,854</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$191,256	\$230,579	\$39,323

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,210	\$218,749	\$ 40,461

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,186	\$180,623	<\$121,563>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$212,433	\$ 178,173	\$ 34,260

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

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.

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, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$450,000	4.25 - 6.2%
Promissory Note	\$141,430	5.85%

The District issued improvement bonds to finance the construction of a new fire building. The improvement bonds were issued on September 2, 1999, in the principal amount of \$500,000, plus \$1,784 accrued interest, and have a maturity date of December 1, 2024. The improvement bonds are collateralized solely by the District's taxing authority.

The promissory note was issued on June 13, 2002 in the principal amount of \$220,000 and matures on June 15, 2009. It was also issued to finance the construction of the fire building. The note is collateralized by liens on fire District vehicles.

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

	<u>General Obligation Bonds</u>	<u>Promissory Note</u>	<u>Total Payments</u>
Year ending December 31:			
2005	\$36,865	\$39,337	\$ 76,202
2006	41,355	37,476	78,831
2007	40,575	35,616	76,191
2008	38,720	33,755	72,475
2009	37,830	16,179	54,009
2010-2014	199,029		199,029
2015-2019	199,636		199,636
2020-2024	198,254		198,254
	<u>\$792,264</u>	<u>\$162,363</u>	<u>\$ 954,627</u>

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

6. RETIREMENT SYSTEM

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including 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. For 2004 and 2003, members of OPERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The District has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP

is a member of the America Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND COUNTY**

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

7. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$ 3,108,199</u>	<u>\$2,366,752</u>

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Polk Jackson Perry Fire District
Ashland County
PO Box 275
Polk, Ohio 44866

To the Board of Trustees:

We have audited the accompanying financial statements of the Polk Jackson Perry Fire District, Ashland County, Ohio (the District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 8, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Polk Jackson Perry Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 8, 2005.

This report is intended for the information and use of management, audit committee, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
December 8, 2005

**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND 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>
2002-40503-001	Ohio Rev. Code Section 5705.41 (D), District did not certify the availability of funds for 58% of tested expenditures.	YES	Finding no longer valid.
2002-40503-002	Ohio Rev. Code Section 5705.39, the general fund had appropriations that exceeded estimated resources in 2002.	YES	Finding no longer valid.



**Auditor of State
Betty Montgomery**

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**POLK JACKSON PERRY FIRE DISTRICT
ASHLAND 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
DECEMBER 30, 2005**