



**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Huron River Joint Fire District
Huron County
130 North West Street
Norwalk, Ohio 44857-1269

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Huron River Joint Fire District, Huron County, Ohio (the District), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and the major fund of the Huron River Joint Fire District, Huron County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

November 30, 2006

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Huron River Joint Fire District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the District's financial activities as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the District's financial activities.

Financial Highlights

Key highlights for 2005 are as follows:

- The District's total net assets increased by \$38,661 (18%) in 2005.
- The District's cash receipts increased \$5,302 (4%) in 2005.
- The District has two fire levies outside the 10 mill limitation, one of which was renewed in the November 2005 General Election for a period of five years commencing 2006. This levy provides an additional 1.25 mill on each dollar of tax valuation of the taxable property within Peru Township, Ridgefield Township, Sherman Township and the Village of Monroeville in excess of the rate authorized by Section 5705.02 of the Ohio Revised Code, for the purpose of providing and maintaining fire apparatus, appliances, buildings or sites therefore and the payment of permanent, part time or volunteer firemen to operate same.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Fire District.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges for services provided to non-residents of the fire district and contracts for fire services, (i.e. hazmat calls), and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how the governmental activity draws from the District's general receipts.

These two statements report the District's net assets and the changes in those assets. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. It tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, nonfinancial information such as changes in the property tax base and other local taxes, condition of assets, and the extent of any debt obligations will also need to be taken into consideration.

The statement of net assets and the statement of activities present one type of activity:

Governmental activities: The District's activities are reported here. Property and other local taxes finance most of these activities.

Reporting the Government's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major fund – not the entity as a whole. The District may establish separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. For 2005 the District had the following fund type as described below.

Governmental Funds – All of the District's activities are reported in the General Fund which is a governmental fund. The governmental fund financial statements provide a detailed view of the District's governmental operations and the service it provides. The District's significant governmental funds are presented on the financial statements in separate columns. The District's only major governmental fund is the General Fund.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$253,798	\$215,137
Net Assets		
Restricted for:		
Capital Projects	5,000	
Unrestricted	248,798	215,137
Total Net Assets	\$253,798	\$215,137

The District's Net Assets increased \$38,661 in 2005. This is mainly due to less expenditures in 2005 and an increase in interest received on investments.

Table 2, on page 6, reflects the changes in net assets in 2005. Since the District opted not to prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Program receipts represent only 8 percent of total receipts and are primarily comprised of charges for services, operating grants and/or capital grants and contributions. These revenue sources will vary from year to year and are somewhat unpredictable.

General receipts represent 92 percent of the District's total receipts, and of this amount, 82 percent is from property taxes. State grants and entitlements account for 11 percent with earnings on investments making up 6 percent. Other receipt sources are minimal.

Disbursements under Security of Persons and Property represent the majority of expenditures for the District. These include, but are not limited to, payroll and employer-related contributions; workers' compensation; commercial and liability insurance; legal fees; property tax collection fees; repairs and maintenance of trucks, equipment, and the fire station itself; training; utilities; and operating supplies.

Capital outlay expenditures would include any purchases of machinery, equipment and furniture which are useful in carrying on operations, and costs related to the fire station itself.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$6,048
Operating Grants and Contributions	400
Capital Grants and Contributions	5,000
Total Program Receipts	<u>11,448</u>
General Receipts:	
Property and Other Local Taxes	106,076
Grants and Entitlements Not Restricted to Specific Programs	14,148
Sale of Fixed Assets	2,200
Earnings on Investments	7,200
Miscellaneous	153
Total General Receipts	<u>129,777</u>
Total Receipts	<u>141,225</u>
Disbursements:	
Security of Persons and Property	100,126
Capital Outlay	2,438
Total Disbursements	<u>102,564</u>
Change in Net Assets	38,661
Net Assets, January 1, 2005	215,137
Net Assets, December 31, 2005	<u>\$253,798</u>

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Fire District. The next column identifies the costs of providing these services. Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used for a specific purpose. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by tax levies, interest on investments, and other general receipts. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 on the following page.

The dependence upon property tax receipts is apparent as over 89 percent of the District's activities are supported through these general receipts.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government		
Public Safety	100,126	88,678
Capital Outlay	2,438	2,438
Total Expenses	\$102,564	\$91,116

The District's Funds

The District has one operating fund which is designated as the General Fund. Total receipts of \$141,225 were deposited in the general fund while disbursements totaled \$102,564. General Fund receipts were more than disbursements by \$38,661. Tax and intergovernmental receipts increased approximately \$6,700 over 2004 and the District spent approximately \$9,000 less in 2005 on security of persons and property.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Budgetary activity for the year ended December 31, 2005, was as follows:

Budgeted vs. Actual Receipts

Budgeted Receipts	\$ 123,629
Actual Receipts	<u>\$ 141,225</u>
Variance - favorable	<u>\$ 17,596</u>

Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation Authority	\$ 338,766
Budgetary Expenditures	<u>\$ 102,564</u>
Variance - favorable	<u>\$ 236,202</u>

The actual expenditures for Security of Persons and Property were \$123,236 less than appropriations and the actual expenditures for Capital Outlay was \$112,966 less than appropriations. Both were due to the practice of appropriating up to the amount of the amended certificate and the uncertainty of unexpected emergencies.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets (acquisitions of property, plant and equipment) as disbursements. The District had capital outlay disbursements of \$2,438 during fiscal year 2005.

Debt

As of year ended December 31, 2005, the District had no debt.

Current Issues

The Fire District relies almost entirely on the tax levies approved by the voters. The Huron River Joint Fire District strives to minimize the dangers and loss caused by fire to the citizens living within the District. At the same time, the District makes every effort to utilize their funding wisely so as to minimize the cost to the taxpayers while providing the best possible fire and rescue protection it can. The District did renew a 1.25 mill levy on May 2, 2006 for five year.

Contact Information

This financial report is designed to provide a general overview of the Fire District's finances and to reflect the accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the fiscal officer, Deborah A. Ewell, Huron River Joint Fire District, 130 North West Street, Norwalk, OH 44857-1269.

HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$253,798</u>
Net Assets	
Restricted for:	
Capital Projects	\$5,000
Unrestricted	<u>248,798</u>
<i>Total Fund Balances</i>	<u><u>\$253,798</u></u>

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

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Security of Persons and Property	\$100,126	\$6,048	\$400	\$5,000	(\$88,678)
Capital Outlay	2,438				(2,438)
<i>Total Governmental Activities</i>	<u>\$102,564</u>	<u>\$6,048</u>	<u>\$400</u>	<u>\$5,000</u>	<u>(91,116)</u>
General Receipts					
					106,076
					14,148
					7,200
					2,200
					153
					<i>Total General Receipts</i>
					129,777
					38,661
					<i>Change in Net Assets</i>
					215,137
					<i>Net Assets Beginning of Year</i>
					<i>Net Assets End of Year</i>
					\$253,798

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

HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
DECEMBER 31, 2005

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$253,798</u>
<i>Total Assets</i>	<u><u>\$253,798</u></u>
Fund Balances	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	<u>253,798</u>
<i>Total Fund Balances</i>	<u><u>\$253,798</u></u>

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

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General
Receipts	
Local Taxes	\$106,076
Intergovernmental	19,548
Charges for Services	6,048
Earnings on Investments	7,200
Miscellaneous	153
	139,025
 Disbursements	
Current:	
Security of Persons and Property	100,126
Capital Outlay	2,438
	102,564
<i>Total Disbursements</i>	102,564
 <i>Excess of Receipts Over Disbursements</i>	 36,461
 Other Financing Sources	
Sale of Fixed Assets	2,200
	2,200
 <i>Net Change in Fund Balances</i>	 38,661
 <i>Fund Balance Beginning of Year</i>	 215,137
 <i>Fund Balance End of Year</i>	 \$253,798

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

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Local Taxes	\$100,479	\$100,479	\$106,076	\$5,597
Intergovernmental	12,400	12,800	19,548	6,748
Charges for Services	6,000	6,000	6,048	48
Earnings on Investments	2,000	2,000	7,200	5,200
Miscellaneous	150	150	153	3
<i>Total receipts</i>	<u>121,029</u>	<u>121,429</u>	<u>139,025</u>	<u>17,596</u>
Disbursements				
Current:				
Security of Persons and Property	222,800	223,362	100,126	123,236
Capital Outlay	113,366	115,404	2,438	112,966
<i>Total Disbursements</i>	<u>336,166</u>	<u>338,766</u>	<u>102,564</u>	<u>236,202</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(215,137)</u>	<u>(217,337)</u>	<u>36,461</u>	<u>253,798</u>
Other Financing Sources				
Sale of Fixed Assets		2,200	2,200	
<i>Net Change in Fund Balance</i>	(215,137)	(215,137)	38,661	253,798
<i>Fund Balance - Budget Basis Beginning of Year</i>	212,337	212,337	212,337	
Prior Year Encumbrances Appropriated	\$2,800	\$2,800	2,800	
<i>Fund Balance - Budget Basis End of Year</i>	<u><u>212,337</u></u>	<u><u>212,337</u></u>	<u><u>\$253,798</u></u>	<u><u>\$253,798</u></u>

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

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Huron River Joint Fire District, Huron 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 is directed by an appointed four-member Board of Trustees. One board member is appointed by each political subdivision with the District. Those subdivisions are the Village of Monroeville, Peru Township, Ridgefield Township, and Sherman Township, all of which are located in Huron County. The District provides fire protection and rescue services within the District, which comprises approximately eighty-three square miles with a population of approximately 5,400.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the entity. The statements distinguish between those activities of the District that are governmental and those that are considered business-type. The District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities at year end. The statement of activities compares disbursements with program receipts for the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges for services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies the extent to which the governmental function draws from the general receipts.

Fund Financial Statements

During the year, the District may establish separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information at a more detailed level. The focus of the governmental fund financial statement is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's only fund and only major governmental fund is the General Fund. The General Fund is used to account for all financial resources.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash 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).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

D. Budgetary Process

The Ohio Revised code requires that the General Fund be budgeted annually.

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

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.

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.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Cash and Investments

The District maintains a cash and investments pool used by all funds. The Ohio revised code prescribes allowable deposits and investments. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Investments are reported as assets. 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.

During 2005, the District invested in STAR Ohio. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

F. Inventory and Prepaid Items

The District reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for capital projects totals \$5,000 from a 2005 Ohio EMS Grant to be used for training and equipment.

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING

Last year the District reported fund financial statements using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the District has implemented the modified cash basis of accounting described in Note 2.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING – (CONTINUED)

There are no adjustments to beginning fund balances since the basis of accounting has not changed. The District's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no encumbrances or advances outstanding at the end of 2005 (budgetary basis) for the general fund.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The year end bank balance was completely covered by the FDIC.

Investments

All of the District's investments were with STAR Ohio during the period presented. STAR Ohio carries a rating of AAAM by Standard and Poor's. This is the highest rating obtainable. A triple-A rating ascertains that STAR Ohio is considered to have a superior capacity to maintain principal and limit exposure to loss. The rating is based on an analysis of the Pool's management, investment guidelines, portfolio holdings and market price exposure. The amount held in STAR Ohio as of December 31, 2005, was \$262,901. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the District. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (CONTINUED)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all District operations for the year ended December 31, 2005, was \$2.5 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$43,440,530
Agriculture	14,057,080
Commercial/Industrial/Mineral	7,376,590
Public Utility Property	
Real	58,520
Personal	2,011,570
Tangible Personal Property	7,024,280
Total Assessed Value	<u>\$73,968,570</u>

NOTE 7 - RISK MANAGEMENT

The District has commercial and liability insurance through Volunteer Firemen's Insurance Services of Ohio, underwritten by American Alternative Insurance Corporation. VFIS is the largest provider of insurance, education and consulting services to Emergency Service Organizations. Covered risks include property, fidelity bond, portable equipment, automobile, general liability, crime, management liability and umbrella/excess liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

Along with the above coverage, the District also has accident and sickness coverage for its employees through VFIS of Ohio that provides loss of life, medical and disability benefits for injuries and illness occurring during, or as a result of participation in emergency service organization activities.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. ***The Traditional Pension Plan*** - a cost sharing, multiple-employer defined benefit pension plan.
2. ***The Member-Directed Plan*** - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions, plus any investment earnings.
3. ***The Combined Plan*** - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to all plans for the years ended December 31, 2005, 2004, and 2003, were \$1,742, \$1,875, and \$1,739 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Social Security System

All employees not otherwise covered by the Ohio Public Employees Retirement System are required to contribute to Social Security. The District's liability is 6.2% of wages paid.

**HURON RIVER JOINT FIRE DISTRICT
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$514. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 10 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 11 - SUBSEQUENT EVENTS

On May 2, 2006, the voters passed a 1.25 mill renewal levy for five years for the purpose of providing and maintaining fire apparatus, appliances, buildings or sites therefore and the payment of permanent, part-time or volunteer firemen to operate same.

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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***

Huron River Joint Fire District
Huron County
130 North West Street
Norwalk, Ohio 44857-1269

To the Board of Trustees:

We have audited the financial statements of the governmental activities and the major fund of the Huron River Joint Fire District, Huron County (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2006, wherein we noted the District prepared its financial statements on the modified cash basis of accounting. We also noted that the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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 November 30, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Betty Montgomery
Auditor of State

November 30, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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HURON RIVER JOINT FIRE DISTRICT

HURON 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 26, 2006**