



**WALHONDING VALLEY FIRE DISTRICT
COSHOCTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Walhonding Valley Fire District
Coshocton County
19849 Township Road 383
Walhonding, Ohio 43843-9785

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities of Walhonding Valley Fire District, Coshocton County, Ohio, (the Fire District) as of and for the year ended December 31, 2005, which collectively comprise the Fire District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Fire 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 Fire 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 opinion.

As discussed in Note 1, 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, of Walhonding Valley Fire District, Coshocton County, Ohio, as of December 31, 2005 and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Fire District revised its financial presentation comparable to the requirements of Governmental Accounting Standard 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 June 14, 2006, on our consideration of the Fire 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 and the respective budgetary comparison for the General fund 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 14, 2006

Walhonding Valley Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Walhonding Valley Fire District's financial performance provides an overall review of the Fire District's financial activities for the year ended December 31, 2005, within the limitations of the Fire District's modified cash basis accounting. Readers should also review the basic financial statements to enhance their understanding of the Fire District's financial performance.

Highlights

Key highlights for 2005 are as follows:

The Fire District's receipts are primarily property taxes. Property tax receipts for 2005 changed very little compared to 2004.

The Fire District purchased a fire truck in 2005 costing \$270,269.

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 Fire 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 as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Fire 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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Fire 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. Under the Fire District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

Walhonding Valley Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Fire District as a Whole

The statement of net assets and the statement of activities reflect how the Fire 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 and activities of the Fire District at year end. The statement of activities compares cash disbursements with program receipts for each Governmental program and activity. Program receipts include charges paid by the recipient of the program's goods or 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 cash disbursements with program receipts identifies how each Governmental function or activity draws from the Fire District's general receipts.

These statements report the Fire District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Fire District's financial health. Over time, increases or decreases in the Fire District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the Fire District's financial condition, you should also consider other nonfinancial factors as well such as the Fire District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the Fire District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

Reporting the Fire District's Most Significant Fund

The Fire District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Fire District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Fire District's programs. The Fire District's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fire District as a Whole

General fund receipts represent approximately 98 percent of the District's total receipts. Disbursements for the General Fire District represent the general operating and program costs of running the Fire District.

The only other Governmental Fund is the FEMA Fund. FEMA Fund receipts represent approximately 2 percent of the Fire District's total receipts. Disbursements for FEMA represent the reimbursements for monies the Fire District expended during the December 2004 ice storm.

The Fire District's Funds

Total Governmental funds had receipts of \$392,419 and disbursements of \$429,561.

Walhonding Valley Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Budgeting Highlights

The Fire 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.

During 2005, the Fire District amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Capital Assets and Debt Administration

Capital Assets

The Fire District does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Fire District was in the process of obtaining financing of the purchase of the fire truck. On January 31, 2006, the Fire District took out notes with Ohio Heritage Bank in the amount of \$175,269 payable for a period of 4 years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Fire District's finances and to reflect the Fire District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Janette Donaker, Fiscal Officer, Walhonding Valley Fire District, 19849 TR 383, Walhonding, OH 43812.

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WALHONDING VALLEY FIRE DISTRICT, COSHOCTON COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,477
Investments	<u>0</u>
<i>Total Assets</i>	<u><u>20,477</u></u>
Net Assets	
Unrestricted	<u>20,477</u>
<i>Total Net Assets</i>	<u><u>\$20,477</u></u>

See accompanying notes to the basic financial statements

WALHONDING VALLEY FIRE DISTRICT, COSHOCTON 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	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities					
General Government	\$429,560	\$5,687	\$81,691	\$342,182	\$342,182
<i>Total Primary Government</i>	<u>429,560</u>	<u>5,687</u>	<u>81,691</u>	<u>342,182</u>	<u>342,182</u>
General Receipts					
Property Taxes Levied For:					
General Purpose				232,903	232,903
Intergovernmental Receipts				56,963	56,963
Interest				202	202
Miscellaneous				14,973	14,973
Total General Receipts				<u>305,041</u>	<u>305,041</u>
Change in Net Assets				(37,141)	(37,141)
<i>Net Assets Beginning of Year</i>				<u>57,618</u>	<u>57,618</u>
<i>Net Assets End of Year</i>				<u>\$20,477</u>	<u>\$20,477</u>

See accompanying notes to the basic financial statements

WALHONDING VALLEY FIRE DISTRICT, COSHOCTON COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>GENERAL</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,477
Investments	0
<i>Total Assets</i>	<u>20,477</u>
Fund Balances	
Reserved:	
Reserved for Encumbrances	16,555
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	3,922
<i>Total Fund Balances</i>	<u>\$20,477</u>

See accompanying notes to the basic financial statements

WALHONDING VALLEY FIRE DISTRICT, COSHOCTON COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts			
Property and Other Local Taxes	\$248,436	\$0	\$248,436
Intergovernmental	131,619	5,687	137,306
Earnings on Investments	202	0	202
Miscellaneous	6,475	0	6,475
Total Receipts	386,732	5,687	392,419
Disbursements			
Current:			
Public Safety	423,874	5,687	429,561
Total Disbursements	423,874	5,687	429,561
Excess of Receipts Over (Under) Disbursements	(37,141)	0	(37,141)
Net Change in Fund Balances	(37,141)	0	(37,141)
Fund Balances Beginning of Year	57,619	0	57,619
Fund Balances End of Year	\$20,477	\$0	\$20,477

See accompanying notes to the basic financial statements

WALHONDING VALLEY FIRE DISTRICT, COSHOCTON 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			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$232,000	\$269,616	\$248,436	(\$21,180)
Intergovernmental	43,186	31,957	131,619	99,662
Earnings on Investments	120	120	202	82
Miscellaneous	250	250	6,475	6,225
<i>Total receipts</i>	<u>275,556</u>	<u>301,943</u>	<u>386,733</u>	<u>84,789</u>
Disbursements				
Current:				
Public Safety	333,174	338,874	423,874	85,000
<i>Total Disbursements</i>	<u>333,174</u>	<u>338,874</u>	<u>423,874</u>	<u>85,000</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(57,618)</u>	<u>(36,931)</u>	<u>(37,141)</u>	<u>(210)</u>
<i>Net Change in Fund Balance</i>	(57,618)	(36,931)	(37,141)	(210)
<i>Fund Balance Beginning of Year</i>	56,144	56,144	41,063	0
Prior Year Encumbrances Appropriated	1,475	1,475	16,555	0
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$20,688</u>	<u>\$20,477</u>	<u>\$123,942</u>

See accompanying notes to the basic financial statements

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**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 1 – Reporting Entity

Walhonding Valley Fire District, Coshocton County, Ohio, (the Fire 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 Fire District is directed by an appointed representative of ten political subdivisions consisting of Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw. The Board of Trustees consists of eleven members: one member from each of the aforementioned subdivisions and one member at large whose appointment is made by one individual subdivision within the Fire District on a two-year rotational basis. The principal purpose of the Fire 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 reporting entity is comprised of the primary government that was included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds that are not legally separate from the Fire District. The Fire District provides fire protection services for Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Fire District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Fire District's accounting policies.

A. Basis of Presentation

The Fire District's 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.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Fire District that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental of the Fire District at year end. The statement of activities compares disbursements with program receipts for each of the Fire 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 Fire District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Fire District's general receipts.

Fund Financial Statements

During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Fire 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. The funds of the Fire District are governmental.

Governmental Funds

The Fire District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Fire District's only major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Fire District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Fire District account for grants and other resources whose use is restricted to a particular purpose.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Fire District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Fire District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Fire District are described in the appropriate section in this note.

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.

D. Budgetary Process

All Fire District funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Fire District may appropriate.

The appropriations ordinance is the Fire District's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Fire District. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fire District Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Fire District Board.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Fire District during the year.

E. Cash and Investments

The Fire District maintains all cash in a checking account and does not have any investments.

Interest earnings are allocated to Fire District funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$202.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

F. Inventory and Prepaid Items

The Fire 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 Fire District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Fire District's modified cash basis financial statements do not report liabilities for notes or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

J. 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. The Fire District has no restricted net assets.

K. Fund Balance Reserves

The Fire District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In 2004, the Fire District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005, the Fire District has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCTON COUNTY**

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

Note 4 – Accountability and Compliance

A. Changes in Accounting Principles

For the year ended December 31, 2005, the Fire District revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statements now include entity-wide financial statements, which present information for the Fire District as a whole, and fund financial statements, which present information for major funds rather than by fund type.

The Fire District also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38 which modifies, establishes and rescinds certain financial statement note disclosures.

B. Budgetary Noncompliance

The Fire District had expenditures that exceeded appropriations in the General Fund at year-end contrary to Ohio Revised Code Section 5705.41(B).

The Fire District did not properly certify purchase orders contrary to Ohio Revised Code Section 5705.41(D) in 91% of the expenditures tested.

Note 5 – 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. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at December 31, 2005 (budgetary basis) amounted to \$16,555 for the general fund.

Note 6 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Fire District treasury. Active monies must be maintained either as cash in the Fire 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 Trustees have 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.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 6 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. 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 Fire 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;
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).

Protection of the Fire District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

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 Fire 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Fire District or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCTON COUNTY**

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

Note 6 – Deposits and Investments (continued)

At year end, the Fire District had no undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

At year end, the carrying amount of the Fire District’s deposits was \$20,477 and the bank balance was \$15,547. Of the bank balance \$15,547 was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Fire District’s investments are required to be categorized to give an indication of the level of risk assumed by the Fire District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Fire District or its agent in the Fire District’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Fire District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Fire District's name. The investments in U.S. Treasury Bills are classified in category three. Investments in STAR Ohio and the money market mutual fund are not classified since they are not evidenced by securities that exist in physical or book-entry form.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Fire 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.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 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.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 7 – Property Taxes (continued)

The full tax rate for all Fire District operations for the year ended December 31, 2005, was \$4.50 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 & Agriculture	\$72,094,770
Other	5,657,870
Public Utility Property	
Real	0
Personal	4,290,750
Tangible Personal Property	1,353,318
Total Assessed Value	<u><u>\$83,396,708</u></u>

Note 8 – Risk Management

Risk Pool Membership

The Fire District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 8 – Risk Management (continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Fire District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Fire District's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Fire District's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCOTON COUNTY**

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

Note 9 – Defined Benefit Pension Plan (continued)

The Fire District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$8,789, \$8,556, and \$10,599 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by Public Employees Retirement System have an option to choose Social Security. As of December 31, 2003, several firemen have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 10 - 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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 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' latest actuarial review performed as of December 31, 2003, 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 and 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCTON COUNTY**

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

Note 11 – Subsequent Events

On January 31, 2006, the Fire District took out notes with Ohio Heritage Bank in the amount of \$175,269 payable for a period of 4 years for the purchase of a fire truck.

On June 14, 2006, the Fire District opened bids for an addition to their Fire District building. Bids ranged from \$262,250 to \$173,650.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Fire 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.

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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**

Walhonding Valley Fire District
Coshocton County
19849 Township Road 383
Walhonding, Ohio 43843-9785

To the Board of Trustees:

We have audited the financial statements of the Walhonding Valley Fire District, Coshocton County, Ohio, (the Fire District) as of and for the year ended December 31, 2005, and have issued our report thereon dated June 14, 2006, wherein we noted that the Fire District's financial transactions were processed using 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 conduct the audit of the Fire 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 Fire 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 Fire District's management dated June 14, 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 Fire 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002.

Walhonding Valley Fire District
Coshocton 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 management and the Board of Trustees and is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 14, 2006

**WALHONDING VALLEY FIRE DISTRICT
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the Clerk of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Clerk's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** – If the Clerk can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Fire District can authorize the drawing of a warrant for the payment of the amount due. The Fire District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Clerk without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Fire District.

- B. Blanket Certificate** – Clerks may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** – The Fire District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Finding 2005-001 (Continued)

Noncompliance Citation (Continued)

In 2005, we noted that 31 out of 34 transactions (approx 91%) of the expenditures tested were not certified by the Clerk prior to incurring the commitment and the exceptions noted above were not utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Fire District's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Fire District. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fire District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Fire District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005 object level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

2005	
General Fund	(\$101,555)

In addition, appropriations posted to the Fire District's Appropriation Reports did not always agree to the Fire District's actual Annual Appropriation Measure plus supplemental appropriations. The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid overspending. In addition, the Clerk should periodically review the Fire District's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

**WALHONDING VALLEY FIRE DISTRICT
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Revised Code Section 5705.41(D) proper certification of funds prior to obligation.	No	Not Corrected. See Schedule of Findings, Finding 2005-001
2004-002	Ohio Revised Code 5705.41 (B) no subdivision is to expend money unless it has been appropriated.	No	Not Corrected. See Schedule of Findings, Finding 2005-002



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WALHONDING VALLEY FIRE DISTRICT

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2006**