



**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY

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Mary Taylor, CPA

Auditor of State

Allen-Clay Joint Fire District
Ottawa County
3155 North Genoa-Clay Center Road
Genoa, Ohio 43430-9464

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 27, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Allen-Clay Joint Fire District
Ottawa County
3155 North Genoa-Clay Center Road
Genoa, Ohio 43430-9464

To the Board of Trustees:

We have audited the accompanying financial statements of the Allen-Clay Joint Fire District, Ottawa County, (the District) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Allen-Clay Joint Fire District, Ottawa County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007, 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.



Mary Taylor, CPA
Auditor of State

September 27, 2007

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$584,223		\$584,223
Charges for Services	33,003	\$212,757	245,760
Intergovernmental	155,212	7,000	162,212
Earnings on Investments	20,880		20,880
Miscellaneous	9,932		9,932
	<u>803,250</u>	<u>219,757</u>	<u>1,023,007</u>
Cash Disbursements:			
Current Disbursements:			
General Government	272,785		272,785
Public Safety	263,609	233,020	496,629
Capital Outlay	422,176		422,176
Debt Service:			
Redemption of Principal	72,760		72,760
Interest and Other Fiscal Charges	11,577		11,577
	<u>1,042,907</u>	<u>233,020</u>	<u>1,275,927</u>
Total Receipts Under Disbursements	<u>(239,657)</u>	<u>(13,263)</u>	<u>(252,920)</u>
Other Financing Receipts			
Other Debt Proceeds	288,000		288,000
Sale of Fixed Assets	5,676		5,676
	<u>293,676</u>		<u>293,676</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	54,019	(13,263)	40,756
Fund Cash Balances, January 1	<u>306,533</u>	<u>104,479</u>	<u>411,012</u>
Fund Cash Balances, December 31	<u><u>\$360,552</u></u>	<u><u>\$91,216</u></u>	<u><u>\$451,768</u></u>

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$583,089		\$583,089
Charges for Services	42,386	\$201,071	243,457
Intergovernmental	86,787	4,000	90,787
Earnings on Investments	16,182		16,182
Miscellaneous	39,503		39,503
	<hr/>		<hr/>
Total Cash Receipts	767,947	205,071	973,018
	<hr/>		<hr/>
Cash Disbursements:			
Current Disbursements:			
General Government	256,073		256,073
Public Safety	329,893	157,770	487,663
Capital Outlay	131,502		131,502
Debt Service:			
Redemption of Principal	17,408	47,633	65,041
Interest and Other Fiscal Charges	7,607	5,285	12,892
	<hr/>		<hr/>
Total Cash Disbursements	742,483	210,688	953,171
	<hr/>		<hr/>
Total Receipts Over/(Under) Disbursements	25,464	(5,617)	19,847
	<hr/>		<hr/>
Other Financing Receipts			
Other Debt Proceeds	20,818		20,818
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	46,282	(5,617)	40,665
	<hr/>		<hr/>
Fund Cash Balances, January 1	260,251	110,096	370,347
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$306,533</u>	<u>\$104,479</u>	<u>\$411,012</u>

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

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Allen-Clay Joint Fire District, Ottawa County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Each subdivision also appoints one alternate that is to serve in case the primary Board member cannot attend meetings. Those subdivisions are Clay Township, Allen Township, the Village of Genoa, and the Village of Clay Center. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

EMS Fund – This fund is used to record the receipts and disbursements for the ambulance and paramedics for the District. Revenues are derived from billing for runs made.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$451,768</u>	<u>\$411,012</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged through a line of credit by the financial institution to the District.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,088,000	\$1,096,926	\$8,926
Special Revenue	191,000	219,757	28,757
Total	\$1,279,000	\$1,316,683	\$37,683

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,393,891	\$1,042,907	\$350,984
Special Revenue	293,446	233,020	60,426
Total	\$1,687,337	\$1,275,927	\$411,410

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$695,000	\$788,765	\$93,765
Special Revenue	174,000	205,071	31,071
Total	\$869,000	\$993,836	\$124,836

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$950,420	\$742,483	\$207,937
Special Revenue	283,446	210,688	72,758
Total	\$1,233,866	\$953,171	\$280,695

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX – (CONTINUED)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Mortgage on Central Headquarters	\$137,928	4.50%
2004 Ford Excursions - Medic 21	3,092	3.99%
2005 Ford Explorer - AC-1	13,217	6.75%
2006 Pumper/Tanker Fire Truck	288,000	4.99%
Total	\$442,237	

The District issued commercial bank loans to finance the purchase of a new Ford Explorer and a new Pumper/Tanker Truck. The District has collateralized these loans with the fully faith and credit of the District, the vehicles purchased and a mortgage on the property.

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

	Mortgage on the Property	Ford Excursion Loan	Ford Explorer Loan	Pumper Tanker Fire Trucker
Year ending December 31:				
2007	\$23,734	\$3,113	\$7,684	\$76,311
2008	23,734		6,404	65,409
2009	23,734			65,409
2010	23,734			65,409
2011	23,734			54,508
2012-2013	41,537			
Total	\$160,207	\$3,113	\$14,088	\$327,046

Lease outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
2 Ambulances	\$62,134	3.71%

The District purchased 2 ambulances through lease/purchase financing. The lease was entered into on April 24, 2003 and has monthly payments due through April 24, 2008.

**ALLEN-CLAY JOINT FIRE DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT – (CONTINUED)

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

Year ending December 31:	Ambulance Lease
2007	<u>\$40,466</u>
2008	<u>23,605</u>
Total	<u><u>\$64,071</u></u>

6. RETIREMENT SYSTEMS

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Crime Coverage;
- Portable Equipment Coverage; and
- Management Liability Coverage.

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Mary Taylor, CPA

Auditor of State

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

Allen-Clay Joint Fire District
Ottawa County
3155 North Genoa-Clay Center Road
Genoa, Ohio 43430-9464

To the District Board of Trustees:

We have audited the financial statements of the Allen-Clay Joint Fire District, Ottawa County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 27, 2007, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 did note a certain noncompliance matter that we reported to the District's management in a separate letter dated September 27, 2007.

We intend this report solely for the information and use of the audit committee, management, and the District Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 27, 2007



Mary Taylor, CPA
Auditor of State

ALLEN-CLAY JOINT FIRE DISTRICT

OTTAWA 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
NOVEMBER 8, 2007**