

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Big Walnut Joint Fire District  
P. O. Box 217  
Marengo, Ohio 43334

We have reviewed the *Independent Accountants' Report* of Big Walnut Joint Fire District, Morrow County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

September 17, 2007

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BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

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Accountants and Consultants

## Independent Accountants' Report

Big Walnut Joint Fire District  
Morrow County  
P.O. Box 217  
Marengo, OH 43334

We have audited the accompanying financial statements of the Big Walnut Joint Fire District, Morrow County, Ohio, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Big Walnut Joint Fire District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Big Walnut Joint Fire District does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Big Walnut Joint Fire District has elected not to reformat its statements. Since the Big Walnut Joint Fire District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Big Walnut Joint Fire District's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

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

The aforementioned revision to generally accepted accounting principles also requires the Big Walnut Joint Fire District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Big Walnut Joint Fire 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 August 20, 2007, on our consideration of the Big Walnut Joint Fire District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

***Knox & Knox***

Orrville, Ohio  
August 20, 2007



BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>
CASH RECEIPTS:	
Local Taxes	\$150,979
Intergovernmental	14,217
Charges for Services	71,431
Miscellaneous	<u>11,306</u>
Total Cash Receipts	<u>247,933</u>
CASH DISBURSEMENTS:	
Current:	
Security of Persons and Property	62,015
General Government	45,034
Other	6,552
Debt Service:	
Redemption of Principal	98,400
Interest	28,214
Capital Outlay	<u>18,642</u>
Total Cash Disbursements	<u>258,857</u>
Total Receipts Over /(Under) Disbursements	(10,924)
Fund Cash Balances, January 1	<u>37,344</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$26,420</u></u>

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

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>
<b>CASH RECEIPTS:</b>	
Local Taxes	\$141,330
Intergovernmental	15,940
Charges for Services	72,704
Miscellaneous	3,924
Total Cash Receipts	233,898
<b>CASH DISBURSEMENTS:</b>	
Current:	
Security of Persons and Property	42,443
General Government	49,398
Other	4,458
Debt Service:	
Redemption of Principal	97,316
Interest	32,855
Total Cash Disbursements	226,470
Total Receipts Over/(Under) Disbursements	7,428
Fund Cash Balances, January 1	29,916
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$37,344</b>

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

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Big Walnut Joint Fire District, Morrow 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. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Bennington Township, Chester Township, Village of Marengo, Village of Chesterville, and Harmony Township. 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. Basis of Accounting

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

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

C. Cash and Investments

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, 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.

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

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

E. Property, Plant and Equipment

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

2. CASH AND INVESTMENTS

The District maintains cash in demand deposits. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$26,420	\$37,344
Total deposits and investments	\$26,420	\$37,344

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

3. BUDGETARY ACTIVITY

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

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$240,000	\$247,933	\$7,933
Total	\$240,000	\$247,933	\$7,933

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

Fund Type	2006 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,578	\$258,857	\$7,721
Total	\$266,578	\$258,857	\$7,721

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$240,000	\$233,898	(\$6,102)
Total	\$240,000	\$233,898	(\$6,102)

Fund Type	2005 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,000	\$226,470	\$13,530
Total	\$240,000	\$226,470	\$13,530

4. PROPERTY TAX

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

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

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

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

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 Fire Station Construction Note	\$517,042	4.51%
2002 Fire Station Construction Note	38,550	3.25%
Total	<u>\$555,592</u>	

The District issued a general obligation note to finance the construction of a new fire station. The note was issued in January 2001 in the amount of 750,000 with a term of fifteen years. Payments will be made in 180 monthly installments. The District then issued a general obligation note to finance the completion of the construction of the new fire station. The second note was issued on December 4, 2002, in the amount of \$50,000 with a term of fifteen years. The notes are collateralized by the district's taxing authority and revenue flows from all contracts between the District and other municipalities.

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

Year Ending December 31	<u>2001 Fire Station Construction Loan</u>		<u>2002 Fire Station Construction Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$48,561	\$22,321	\$3,065	\$1,207
2008	50,738	20,144	3,163	1,109
2009	53,133	17,749	3,271	1,002
2010	55,580	15,302	3,379	894
2011	58,139	12,743	3,490	783
2012-2016	250,891	22,992	19,254	2,110
2017			2,928	37
Totals	<u>\$517,042</u>	<u>\$111,251</u>	<u>\$38,550</u>	<u>\$7,142</u>

6. RETIREMENT SYSTEMS

The District's Clerk belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The District contributed an amount equal to 13.7% (2006) and 13.55% (2005) of the Clerk's gross salary. The District has paid all contributions required through December 31, 2006.

BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

7. RISK MANAGEMENT

Commercial Insurance

The Big Walnut Joint Fire District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. OPERATING LEASE

The Fire District entered into an operating lease for a copy machine in October, 2004. The term of the lease is for 60 months and the monthly rental is \$100. The lease is noncancellable.

The following is a summary of future rental charges:

	<u>Rental Charges</u>
2007	\$1,200
2008	1,200
2009	<u>1,000</u>
Total	<u><u>\$3,400</u></u>

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Accountants and Consultants

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

Big Walnut Joint Fire District  
Morrow County  
P.O. Box 217  
Marengo, OH 43334

We have audited the accompanying financial statements of the Big Walnut Joint Fire District as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 20, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Big Walnut Joint Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of the Big Walnut Joint Fire District in a separate letter dated August 20, 2007.

### Compliance and Other Matters

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



Big Walnut Joint Fire District  
Morrow County  
Independent Accountants' Report on  
Compliance and on Internal Control  
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This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

***Knox & Knox***

Orrville, Ohio  
August 20, 2007





**Mary Taylor, CPA**  
Auditor of State

**BIG WALNUT FIRE DISTRICT**

**MORROW 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  
SEPTEMBER 27, 2007**