



Mary Taylor, CPA
Auditor of State

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

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Mary Taylor, CPA
Auditor of State

Western Holmes County Fire District
Holmes County
7462 SR 179
Lakeville, Ohio 44638

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 5, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Holmes County Fire District
Holmes County
7462 SR 179
Lakeville, Ohio 44638

To the Board of Trustees:

We have audited the accompanying financial statements of the Western Holmes County Fire District, Holmes 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 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. 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 and reserves for encumbrances of the Western Holmes County Fire District, Holmes 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 December 5, 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.

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

Mary Taylor, CPA
Auditor of State

December 5, 2007

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	GENERAL FUND	
	2006	2005
Cash Receipts:		
Property and Other Local Taxes	\$176,521	\$177,361
Charges for Services	54,740	26,828
Intergovernmental	29,051	17,374
Earnings on Investments	229	842
Miscellaneous	8,419	2,530
	268,960	224,935
Cash Disbursements:		
Public Safety	65,671	64,969
General Government	57,274	54,299
Public Works	882	833
Capital Outlay	130,930	40,198
Debt Service:		
Redemption of Principal		15,366
Interest and Other Fiscal Charges		334
	254,757	175,999
Total Cash Receipts Over Cash Disbursements	14,203	48,936
Other Financing Receipts/(Disbursements):		
Sale of Assets	5,000	0
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	19,203	48,936
Fund Cash Balances, January 1	123,797	74,861
Fund Cash Balances, December 31	\$143,000	\$123,797
Reserve for Encumbrances, December 31	\$5,976	\$5,318

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

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**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES 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 Western Holmes County Fire District, Holmes County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Nashville, Washington Township, Ripley Township, and Knox Township. An additional member at large is appointed by the Board of Trustees. 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. Cash

The District's cash is held in an interest bearing checking account and savings account.

D. 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:

General Fund

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

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. 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.

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	\$143,000	\$123,797

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the District.

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

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

3. Budgetary Activity

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,900	\$273,960	\$38,060

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$345,318	\$260,733	\$84,585

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,164	\$224,935	\$771

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$298,058	\$181,317	\$116,741

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. 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.

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

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

5. Retirement System

The District's Fire Chiefs belong to Social Security. Other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

6. Risk Management

Risk Pool Membership

The District is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Western Holmes County Fire District's policy. The Pool covers the following risks:

- General liability and casualty;
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2006</u>	<u>2005</u>
Cash and investments	\$18,955,884	\$17,218,821
Actuarial liabilities	16,126,583	16,351,341

7. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the state government. The grantor 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.

8. Related Party Transactions

In 2005, the District contracted with the son of the EMS Chief and also with an EMS Run Filer to provide communications equipment through Lakeville Communications, a company the EMS Chief's son owns. The District paid \$9,327.98 in 2005 for communication equipment and supplies. Of the \$9,327.98 paid by the District in 2005, Lakeville Communications repaid \$2,606.88 to the District in 2006 for communication devices not provided to the District.



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*

Western Holmes County Fire District
Holmes County
7462 SR 179
Lakeville, Ohio 44638

To the District Board of Trustees:

We have audited the financial statements of the Western Holmes County Fire District, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 5, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Government'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 Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We noted additional internal control deficiencies that we reported to the District's management in a separate letter dated December 5, 2007.

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 certain noncompliance or other matters that we reported to the District in a separate letter dated December 5, 2007.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

December 5, 2007

**WESTERN HOLMES COUNTY FIRE DISTRICT
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Emergency Medical Services (EMS) Billings – Material Weakness

During 2005, the District did not record or bill mileage for 16 out of 29 (55%) EMS runs tested where the District transported individuals. As a result, the cost of transporting these individuals was not fully recovered. During 2006, we noted only one instance where an individual was not billed mileage transportation.

To help recover the cost of providing EMS services, the District should record and bill for mileage for all individuals that are transported during EMS runs.

Official's Response: In 2006, the District started billing for all mileage incurred for EMS transports.

FINDING NUMBER 2006-002

Encumbrances/Purchase Order Certification – Significant Deficiency

During our review of disbursements, we noted the following:

- The District created purchase orders at the time the invoice was paid using “Then and Now” language on the purchase order to certify the funds were available for expenditure.
- The District did not maintain a detailed list of encumbrances at month or year end.

To improve controls over disbursements, help reduce the possibility of the District's funds exceeding budgetary spending limitations within the encumbrance system of accounting and help ensure compliance with Ohio Revised Code Section 5705.41(D):

- The District should create purchase orders prior to ordering goods or services rather than at the time the invoice is paid. The District should 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 District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. When prior certification is not possible, “Then and Now” certification should be used only as an exception. The District should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.
- The District should maintain a detailed list of encumbrances at month or year end to support the outstanding encumbrances listed on the District's financial statements.

Official's Response: The District will implement the use of purchase orders for all purchases. The District will maintain a listing of outstanding encumbrances.



Mary Taylor, CPA
Auditor of State

WESTERN HOLMES COUNTY FIRE DISTRICT

HOLMES 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
JANUARY 10, 2008**