



Mary Taylor, CPA
Auditor of State

HOLMES FIRE DISTRICT #1
HOLMES COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Federal Awards Expenditure Schedule.....	13
Notes to the Federal Awards Expenditure Schedule	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	17
Schedule of Findings	19
Schedule of Prior Audit Findings	20

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Mary Taylor, CPA
Auditor of State

Holmes Fire District #1
Holmes County
8478 State Route 39
P.O. Box 7
Millersburg, Ohio 44654

To the District 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 District 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

March 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Holmes Fire District #1
Holmes County
8478 State Route 39
P.O. Box 7
Millersburg, Ohio 44654

To the District Board of Trustees:

We have audited the accompanying financial statements of the Holmes Fire District #1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2009 and 2008. 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 requires 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, 2009 and 2008 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, 2009 and 2008, or its 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 and reserves for encumbrances of the Holmes Fire District #1, Holmes County, Ohio, as of December 31, 2009 and 2008, 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 March 30, 2010, 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.

Federal Awards Expenditure Schedule

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this Schedule to the auditing procedures applied in our audit of the District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole..



Mary Taylor, CPA
Auditor of State

March 30, 2010

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$346,501	\$246,963	\$593,464
Charges for Services	155,935		155,935
Intergovernmental	75,164	117,111	192,275
Earnings on Investments	7,795		7,795
Miscellaneous	6,772		6,772
	<u>592,167</u>	<u>364,074</u>	<u>956,241</u>
Total Cash Receipts			
	<u>592,167</u>	<u>364,074</u>	<u>956,241</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	237,907	258,347	496,254
General Government	100,085	6,686	106,771
Capital Outlay	96,839	604,232	701,071
Debt Service:			
Redemption of Principal	106,100		106,100
Interest and Fiscal Charges	7,135		7,135
	<u>548,066</u>	<u>869,265</u>	<u>1,417,331</u>
Total Cash Disbursements			
	<u>548,066</u>	<u>869,265</u>	<u>1,417,331</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>44,101</u>	<u>(505,191)</u>	<u>(461,090)</u>
Other Financing Receipts/(Disbursements):			
Loan Proceeds		540,000	540,000
Sale of Fixed Assets	24,000		24,000
Transfer In	3,356	102	3,458
Transfer Out		(3,458)	(3,458)
	<u>27,356</u>	<u>536,644</u>	<u>564,000</u>
Total Other Financing Receipts/(Disbursements)			
	<u>27,356</u>	<u>536,644</u>	<u>564,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>71,457</u>	<u>31,453</u>	<u>102,910</u>
Fund Cash Balances, January 1	<u>368,726</u>	<u>162,164</u>	<u>530,890</u>
Fund Cash Balances, December 31	<u><u>\$440,183</u></u>	<u><u>\$193,617</u></u>	<u><u>\$633,800</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,826</u></u>	<u><u>\$0</u></u>	<u><u>\$1,826</u></u>

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$219,589	\$254,787	\$474,376
Charges for Services	151,538		151,538
Intergovernmental	48,368	45,789	94,157
Earnings on Investments	13,631		13,631
Miscellaneous	2,010		2,010
	<u>435,136</u>	<u>300,576</u>	<u>735,712</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	235,863	248,179	484,042
General Government	112,911	6,086	118,997
Debt Service:			
Redemption of Principal	23,900		23,900
Interest and Fiscal Charges	4,995		4,995
Capital Outlay	10,501	15,582	26,083
	<u>388,170</u>	<u>269,847</u>	<u>658,017</u>
Total Cash Receipts Over Cash Disbursements	<u>46,966</u>	<u>30,729</u>	<u>77,695</u>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	8,100		8,100
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	55,066	30,729	85,795
Fund Cash Balances, January 1	<u>313,660</u>	<u>131,435</u>	<u>445,095</u>
Fund Cash Balances, December 31	<u>\$368,726</u>	<u>\$162,164</u>	<u>\$530,890</u>
Reserves for Encumbrances, December 31	<u>\$4,378</u>	<u>\$0</u>	<u>\$4,378</u>

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Holmes Fire District #1, Holmes County, (the District) as a body corporate and politic. The District is directed by appointed representatives from four political subdivisions consisting of the Village of Millersburg, Hardy Township, Mechanic Township, and Monroe Township. The Board of Trustees consists of five members, one member from each subdivision and one member at large whose appointment is made by one individual subdivision within the District on a yearly rotational basis. The principal purpose of the District is to pool mutual resources and abilities of the member subdivisions and thereby provide the subdivisions adequate and responsible fire protection and emergency medical services.

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. Deposits

The District maintains all cash in an interest bearing checking account, savings account and certificates of deposit.

D. Fund Accounting

The District uses fund accounting to segregate cash that is 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 (other than for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Fire Levy Fund – This fund accounts for the tax proceeds of a special operating levy used to provide fire protection and emergency medical service to the participating Townships and Village.

**HOMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

2. Special Revenue Funds (Continued)

USDA – Fire Truck Purchase Stimulus Fund – This fund accounts for federal proceeds received from the U.S. Department of Agriculture Community Facilities for the purchase of a fire truck.

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, function or object level of control, and appropriations may not exceed estimated resources. The District 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 2009 and 2008 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.

G. 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.

**HOMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$190,741	\$47,362
Certificates of deposit	443,059	483,528
Total deposits and investments	\$633,800	\$530,890

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$543,056	\$619,523	\$76,467
Special Revenue	886,560	904,176	17,616
Total	\$1,429,616	\$1,523,699	\$94,083

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$674,165	\$549,892	\$124,273
Special Revenue	1,009,158	872,723	136,435
Total	\$1,683,323	\$1,422,615	\$260,708

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$381,200	\$443,236	\$62,036
Special Revenue	280,100	300,576	20,476
Total	\$661,300	\$743,812	\$82,512

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$638,346	\$392,548	\$245,798
Special Revenue	381,150	269,847	111,303
Total	\$1,019,496	\$662,395	\$357,101

**HOMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 District.

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 District.

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
USDA Loan	\$540,000	4.375%

The District issued a USDA loan to finance the purchase of a new ladder truck.

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

Year ending December 31:	USDA Loan
2010	\$66,854
2011	66,854
2012	66,854
2013	66,854
2014	66,854
2015-2019	332,416
Total	\$666,686

6. Retirement Systems

The District's full time Fire Police Officers 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 2009 and 2008, OP&F participants contributed 19.5% of their wages. For 2009 and 2008, the District contributed to OP&F an amount equal to 10% of full-time fire members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2009.

**HOMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Retirement Systems (Continued)

All employees not otherwise covered by OPERS and OP & F System pay into social security. For fiscal years 2009 and 2008, part-time firefighters and EMS personnel paid into social security. The District's liability is 6.2% of wages paid

7. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

There has been no reduction in coverage and claims have not exceeded coverage.

8. Contingent Liabilities

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

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HOLMES FIRE DISTRICT #1
HOLMES COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditure
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>(Direct Award)</i>		
ARRA Community Facilities Loans and Grants (Recovery Act Funded)	10.780	<u>\$600,000</u>
Total		<u><u>\$600,000</u></u>

The notes to the Federal Awards Expenditure Schedule are an integral part of this statement.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) reports the Holmes Fire District #1's (the District's) federal award program expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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*

Holmes Fire District #1
Holmes County
8478 State Route 39
P.O. Box 7
Millersburg, Ohio 44654

To the District Board of Trustees:

We have audited the financial statements of the Holmes Fire District #1, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 30, 2010, wherein we noted the District followed 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 intend this report solely for the information and use of management, District Board of Trustees, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 30, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Holmes Fire District #1
Holmes County
8478 SR 39
P.O. Box 7
Millersburg, Ohio 44654

To the District Board of Trustees:

Compliance

We have audited the compliance of Holmes Fire District #1, Holmes County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the years ended December 31, 2009 and 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Holmes Fire District #1 complied, in all material respects, with the requirements referred to above that apply to its major federal program for the years ended December 31, 2009 and 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, District Board of Trustees, federal awarding agencies, pass-through entities and others within the District. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 30, 2010

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse under GAAP, unqualified under the regulatory basis
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	USDA Community Facilities Loans and Grants Cluster CFDA #10.780
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting – Several errors were noted that required audit adjustments and reclassifications.	Yes	



Mary Taylor, CPA
Auditor of State

HOLMES FIRE DISTRICT #1

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
MAY 18, 2010**