



**Auditor of State
Betty Montgomery**

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Pic-A-Fay Joint Fire District
Pickaway County
P.O. Box 385
New Holland, Ohio 43145

To the Board of Trustees:

We have audited the accompanying financial statements of the Pic-A-Fay Joint Fire District, Pickaway County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002, and for the period of inception (July 12, 2001) through December 31, 2001. 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 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 discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the District as of December 31, 2003, December 31, 2002, and December 31, 2001, and its cash receipts and disbursements for the years ended December 31, 2003, and December 31, 2002 and the initial period ended December 31, 2001, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pic-A-Fay Joint Fire District
Pickaway County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 15, 2004

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE PERIOD OF INCEPTION (JULY 12, 2001) THROUGH DECEMBER 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2003, AND DECEMBER 31, 2002**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash Receipts:			
Local Taxes	\$45,845	\$0	\$0
Intergovernmental	4,192	866	0
Charges for Services	1,000	36,000	16,199
Earnings on Investments	139	150	38
Miscellaneous	2,210	1,200	205
	<u>53,386</u>	<u>38,216</u>	<u>16,442</u>
Total Cash Receipts			
	<u>53,386</u>	<u>38,216</u>	<u>16,442</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	20,715	24,164	4,360
General Government	6,562	6,149	857
Capital Outlay	17,885	0	3,574
	<u>45,162</u>	<u>30,313</u>	<u>8,791</u>
Total Cash Disbursements			
	<u>45,162</u>	<u>30,313</u>	<u>8,791</u>
Total Cash Receipts Over/(Under) Cash Disbursements	8,224	7,903	7,651
Cash Balances, January 1	15,554	7,651	0
	<u>15,554</u>	<u>7,651</u>	<u>0</u>
Cash Balances, December 31	<u><u>\$23,778</u></u>	<u><u>\$15,554</u></u>	<u><u>\$7,651</u></u>

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

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**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001)
THROUGH DECEMBER 31, 2001, AND FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Pic-A-Fay Joint Fire District, Pickaway County, Ohio, (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. The District is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are Perry Township (Pickaway County), Marion Township (Fayette County) and the Village of New Holland (Pickaway County). 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

The District has one checking account and had no investments during the audit period.

D. Budgetary Process

The Ohio Revised Code requires the District to prepare an annual budget after December 31, 2002 because that is the first year the District actually levied taxes.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 after December 31, 2002. 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 after December 31, 2002.

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001)
THROUGH DECEMBER 31, 2001, AND FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002 (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not follow the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3. The District did not follow the above budgetary process for the Period of Inception (July 12, 2001) through December 31, 2001.

E. Property, Plant and Equipment

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

2. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Demand deposits	\$23,778	\$15,554	\$7,651

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$49,116	\$53,386	\$4,270

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$45,162	(\$45,162)

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$38,216	\$38,216

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001)
THROUGH DECEMBER 31, 2001, AND FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002 (Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$37,310	\$30,313	\$6,997

Contrary to Ohio law, the District did not certify the availability of funds prior to incurring any obligations for the period of Inception (July 12, 2001) through December 31, 2001 and the years ended December 31, 2002 and December 31, 2003.

Contrary to Ohio law, all appropriations exceeded estimated resources for the year ended December 31, 2002 and for the period of inception (July 12, 2001) through December 31, 2001, as the District did not approve estimated resources during the above time frames. Also contrary to Ohio law, all expenditures exceeded appropriations for the year ended December 31, 2003, as the District failed to approve appropriations during the year and for the period of Inception (July 12, 2001) through December 31, 2001.

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, 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. RETIREMENT SYSTEM

The District's Clerk belongs to the Ohio Public Employees Retirement System (OPERS). The OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement 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 2003 and 2002, the District paid the employee and employer shares, which were 8.5% and 13.55% of the District Clerk's gross salary, respectively. The District has paid all contributions required through December 31, 2003.

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001)
THROUGH DECEMBER 31, 2001, AND FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002 (Continued)**

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

7. SUBSEQUENT EVENTS

The District had the following significant subsequent events:

In February, 2004, the District incurred a loan in the amount of \$15,000 to purchase a new tanker truck. In March, 2004, the District received a grant in the amount of \$8,000 to purchase turn-out gear for use by the firefighters.



**Auditor of State
Betty Montgomery**

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

Pic-A-Fay Joint Fire District
Pickaway County
P.O. Box 385
New Holland, Ohio 43125

To the Board of Trustees:

We have audited the accompanying financial statements of the Pic-A-Fay Joint Fire District, Pickaway County, Ohio, (the District) as of and for the years ended December 31, 2003, and December 31, 2002, and for the period of inception (July 12, 2001) through December 31, 2001, and have issued our report thereon dated July 15, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001, 2003-002, 2003-003, and 2003-004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 assurance 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 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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated July 15, 2004.

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Pic-A-Fay Joint Fire District
Pickaway County
Independent Accountants' Report on Compliance and Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 15, 2004

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001) THROUGH
DECEMBER 31, 2001, AND THE YEARS ENDED DECEMBER 31, 2003,
AND DECEMBER 31, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Material Noncompliance Citation

Certifying Funds Prior to Expenditure

Ohio Rev. Code Section 5705.41 (D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

The Clerk may also issue Then and Now Certificates for obligations made prior to certification. Then and Now Certificates allow the Clerk to certify that both at the time that the contract or order was made and at the time the certification is completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. For obligations less than \$1,000, the certificates can be certified by the Clerk without subsequent approval from the Board. However, Then and Now Certificates in excess of \$1,000 must be approved by resolution by the Board within 30 days after receiving such certificate. As of April 7, 2003, the threshold for Then and Now Certificates that require Board approval is \$3,000.

The District did not certify funds for any transactions during the period of inception (July 12, 2001) through December 31, 2001, and the years ended December 31, 2003, and December 31, 2002. By not certifying funds prior to a purchase commitment, this may lead to the District obligating money it does not have.

We recommend the Clerk ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification. Alternatively, the District should consider use of then and now certificates or so-called blanket or super blanket certificates as further permitted by Section 5705.41(D). The Clerk may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond current year (prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item opened. A super blanket certificate can be issued for any amount and any time period, not to exceed the fiscal year, and may be used for recurring and reasonably predictable operating expenses. More than one super blanket certificate can be outstanding for an appropriation line item.

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001) THROUGH
DECEMBER 31, 2001, AND THE YEARS ENDED DECEMBER 31, 2003,
AND DECEMBER 31, 2002 (Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-002
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Material Noncompliance Citation

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.28 (B) (2) (b) provides, that a taxing unit which does not levy a tax is not be considered a "taxing unit" for purposes of the Ohio Revised Code Chapter 5705, except for sections 5705.36, 5705.38, 5705.39, 5705.40, 5705.41, 5705.43 and 5705.45. Further, documents prepared in accordance with these sections are not required to be filed with the county auditor or the county budget commission. During the year ended December 31, 2002 and the initial period ended December 31, 2001 the District did not receive any tax levy proceeds.

Ohio Rev. Code Section 5705.41(B) prohibits a taxing unit from making expenditures unless the funds have been appropriated. The District did not approve appropriations for the period of inception (July 12, 2001) through December 31, 2001 and for the year end December 31, 2003. As a result, all expenditures made during the period of inception (July 12, 2001) through December 31, 2001 and the year ended December 31, 2003 were made without appropriations, and were, therefore, in violation of this code section. Additionally, after the District had tax revenues in the year ended December 31, 2003, it was required to file these appropriations with the County Budget Commission.

We recommend the District approve an annual appropriation measure on or about the first day of each year and file it with the County Budget Commission. We further recommend that the Clerk and Board of Trustees monitor the expenditures and the budget of the District to ensure that expenditures do not exceed appropriations.

Finding Number	2003-003
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Noncompliance Citation

Appropriations in excess of Estimated Resources

Ohio Rev. Code Section 5705.28 (B) (2) (b) provides, that a taxing unit which does not levy a tax is not be considered a "taxing unit" for purposes of the Ohio Revised Code Chapter 5705, except for sections 5705.36, 5705.38, 5705.39, 5705.40, 5705.41, 5705.43 and 5705.45. Further, documents prepared in accordance with these sections are not required to be filed with the county auditor or the county budget commission. During the year ended December 31, 2002 and the initial period ended December 31, 2001 the District did not receive any tax levy proceeds.

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate.

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE PERIOD OF INCEPTION (JULY 12, 2001) THROUGH
DECEMBER 31, 2001, AND THE YEARS ENDED DECEMBER 31, 2003,
AND DECEMBER 31, 2002 (Continued)**

Finding Number	2003-003 (Continued)
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Noncompliance Citation (Continued)

Appropriations in excess of Estimated Resources (Continued)

For the period of Inception (July 12, 2001) through the year ended December 31, 2001 and the year ended December 31, 2002, the District did not have an estimate of resources on file resulting in all appropriations exceeding estimated resources. Starting in the year ending December 31, 2003 due to the District receiving levied taxes, it must file these resources with the county auditor.

We recommend the District obtain a certificate of estimated resources at the beginning of each year and review budgetary documents to ensure appropriations of the District do not exceed the estimated resources. If necessary, the District should amend these estimated resources and appropriations throughout the year.

Finding Number	2003-004
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Material Noncompliance Citation

Annual Appropriations

Ohio Rev. Code Section 5705.28 (B) (2) (b) provides, that a taxing unit which does not levy a tax is not be considered a "taxing unit" for purposes of the Ohio Revised Code Chapter 5705, except for sections 5705.36, 5705.38, 5705.39, 5705.40, 5705.41, 5705.43 and 5705.45. Further, documents prepared in accordance with these sections are not required to be filed with the county auditor or the county budget commission. During the year ended December 31, 2002 and the initial period ended December 31, 2001 the District did not receive any tax levy proceeds.

Ohio Rev. Code Section 5705.38 states that, on or about the first day of each fiscal year, the taxing authority of each taxing unit shall pass an appropriation measure. For the year ended December 31, 2003, and subsequent years since the District has levied taxes the District may postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, and it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The District did not pass an appropriation measure for the period of inception (July 12, 2001) through December 31, 2001 and the year ended December 31, 2003. As a result, all of the expenditures made during the period of inception (July 12, 2001) through December 31, 2001 and the year ended December 31, 2003 were in violation of Ohio Rev. Code Section 5705.41(B) as discussed further in finding 2003-002.

We recommend the Board of Trustees pass an annual appropriations resolution on or about January 1 of each year. If the Board wants to wait to receive an amended certificate of estimated resources, we recommend that a temporary appropriations measure be passed to cover the expenditures of the District until the permanent appropriations measure has been passed. Additionally, this appropriation measure must be filed with the County Budget Commission.



**Auditor of State
Betty Montgomery**

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PIC-A-FAY JOINT FIRE DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 31, 2004**