



**Auditor of State
Betty Montgomery**

LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lowell-Adams Joint Fire District
Washington County
P.O. Box 406
Lowell, Ohio 45744

To the Board of Trustees:

We have audited the accompanying financial statement of the Lowell-Adams Joint Fire District, Washington County, Ohio (the Fire District), as of and for the years ended December 31, 2004 and 2003. This financial statement is the responsibility of the Fire District's management. Our responsibility is to express an opinion on this financial statement 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 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 statement. 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 described more fully in Note 1, the Fire District prepared its financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Lowell-Adams Joint Fire District, Washington County, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2005, on our consideration of the Fire 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under Section 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

March 23, 2005

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash Receipts:		
Local Taxes	\$ 18,820	\$ 18,968
Intergovernmental	9,371	8,792
Charges for Services	600	600
Earnings on Investments	66	106
Miscellaneous	<u>21</u>	<u>14</u>
 Total Cash Receipts	 <u>28,878</u>	 <u>28,480</u>
Cash Disbursements:		
Current:		
Security of Persons and Property	5,935	3,415
General Government	18,520	16,363
Capital Outlay	<u>4,905</u>	<u>4,801</u>
 Total Cash Disbursements	 <u>29,360</u>	 <u>24,579</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 (482)	 3,901
 Cash Balance, January 1	 <u>26,128</u>	 <u>22,227</u>
 Cash Balance, December 31	 <u><u>\$ 25,646</u></u>	 <u><u>\$ 26,128</u></u>

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

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**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004 AND 2003**

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 Lowell-Adams Joint Fire District, Washington County (the Fire District), as a body corporate and politic. A three member Board of Trustees governs the Fire District. One board member is appointed by each political subdivision within the Fire District. Those subdivisions are Adams Township and the Village of Lowell, and one is chosen by these two representatives. The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District.

The Fire District's management believes this financial statement presents all activities for which the Fire District is financially accountable.

Related Organization

The Fire District officials are also responsible for appointing members of the L-A Fire & Rescue Association, a not-for-profit organization established for raising funds for obtaining equipment for the Fire District and its firefighters. The Fire District's accountability for this organization does not extend beyond making appointments. The L-A Fire & Rescue Association's board of directors is appointed by the Fire District's Board of Trustees.

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes 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).

This statement adequately discloses material matters the Auditor of State prescribes.

C. Cash

All cash assets of the Fire District are maintained in an interest bearing checking account.

D. Budgetary Process

The Ohio Revised Code requires the Fire District to budget 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 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.

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004 AND 2003
(Continued)**

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 cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. CASH

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

	2004	2003
Demand deposits	\$ 25,646	\$ 26,128

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Year	Receipts	Receipts	Variance
2004	\$ 27,700	\$ 28,878	\$ 1,178
2003	\$ 21,132	\$ 28,480	\$ 7,348

Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Year	Authority	Expenditures	Variance
2004	\$ 46,479	\$ 29,360	\$ 17,119
2003	\$ 42,800	\$ 24,579	\$ 18,221

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the Fire District amounts equaling the homestead and rollback deductions. These 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 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 Fire District.

Tangible personal property tax owners assess that property. The property owners must file a tangible property list 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 Fire District.

5. RETIREMENT SYSTEMS

The Fire District's Clerk-Treasurer belongs to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS member employees contributed 8.5% of their gross salaries. The Fire District contributed an amount equal to 13.55% of participants' gross salaries. The Fire District has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

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

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

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**Auditor of State
Betty Montgomery**

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

Lowell-Adams Joint Fire District
Washington County
P.O. Box 406
Lowell, Ohio 45744

To the Board of Trustees:

We have audited the financial statement of the Lowell-Adams Joint Fire District, Washington County, Ohio (the Fire District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 23, 2005. 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 Fire District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Fire District's management dated March 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Fire District's financial statement is 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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the Fire District's management dated March 23, 2005, we reported a matter related to noncompliance we deemed immaterial.

Lowell-Adams Joint Fire District
Washington County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for 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

March 23, 2005

**LOWELL-ADAMS JOINT FIRE DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Admin. Code Section 1301:7-5-19 (C)(1) states that any volunteer fire department applying for a grant under this rule shall supply such information as is required on the application forms available from the State Fire Marshal. Further, Ohio Admin. Code Section 1301:7-5-19 (C)(2) requires the applicant to certify on the application form that the fire department is eligible to receive the grant under this rule. The form shall be signed by the chief of the volunteer fire department.

Ohio Admin. Code Section 1301:7-5-19 (A)(1) defines an eligible fire department as:

- a. One organized under Sections 505.37, 505.371 or 737.21 of the Ohio Revised Code, wherein at least one-half of the fire fighters are volunteer fire fighters.
- b. A private volunteer fire company.

Ohio Admin. Code Section 1301:7-5-19 (A)(2) states that a "private volunteer fire company" means a company of trained volunteer fire fighters having a contract to furnish fire protection to a political subdivision or fire district of this state. Ohio Admin. Code Section 1301:7-5-19 (B) states that only volunteer fire departments are eligible to receive a grant under this rule.

A grant application for 2004 was completed and signed by the Fire District's Fire Chief. The information on the application showed the fire department's name as the Lowell-Adams Joint Fire District. The financial information used on the application was also the Fire District's. However, the Federal tax identification number that was used was not the Fire District's, but the L-A Fire & Rescue Association's number.

The grant agreement was designated in the name of the L-A Fire & Rescue Association for \$8,000. The grant agreement was signed by the Fire District's Fire Chief. A check for \$8,000 was made payable to the L-A Fire & Rescue Association and was received by the Fire District's Clerk, who turned the check over the Fire & Rescue Association because it had their name on it. However, the Fire District Clerk made no record of the check's receipt in the Fire District's records. The check was deposited into the Fire & Rescue Association's savings account.

On several documents, the Fire District and the L-A Fire & Rescue Association names were used interchangeably, even though they are two legally separate entities. There is no statutory authority implying that private fire associations would be deemed the same entity as Fire Districts. Also, grant funds can only be used by the entity that applied for the grant.

We recommend the Fire District consult with its legal counsel to obtain documentation in the form of a contract of services between the Fire District and the Fire & Rescue Association to determine which services are provided by each entity. We also recommend the Fire District make a clear distinction between the Fire District and the Fire & Rescue Association to better account for the Fire District's funds and activities. In addition, we recommend the Fire District contact the State Fire Marshall to clarify grant reporting and responsibilities under these Sections, as well as to identify the Fire District as the appropriate sub-recipient of these grants.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LOWELL-ADAMS JOINT FIRE DISTRICT

WASHINGTON 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
JUNE 9, 2005**