

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Big Walnut Joint Fire District, Morrow County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

September 4, 2009

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BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

We have audited the accompanying financial statements of the Big Walnut Joint Fire District, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Big Walnut Joint Fire District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Big Walnut Joint Fire District does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Big Walnut Joint Fire District has elected not to reformat its statements. Since the Big Walnut Joint Fire District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Big Walnut Joint Fire District's combined funds as of December 31, 2008 and 2007, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Big Walnut Joint Fire District, Morrow County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Big Walnut Joint Fire District to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Big Walnut Joint Fire District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2009, on our consideration of the Big Walnut Joint Fire District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
July 16, 2009

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN GENERAL FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>
CASH RECEIPTS:	
Local Taxes	\$149,786
Intergovernmental	15,214
Charges for Services	114,110
Miscellaneous	<u>5,319</u>
Total Cash Receipts	<u>284,429</u>
CASH DISBURSEMENTS:	
Current:	
Security of Persons and Property	46,205
General Government	73,618
Other	8,043
Debt Service:	
Redemption of Principal	53,828
Interest	21,327
Capital Outlay	<u>45,644</u>
Total Cash Disbursements	<u>248,665</u>
Total Receipts Over /(Under) Disbursements	35,764
Fund Cash Balances, January 1	<u>102,432</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$138,196</u>

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

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN GENERAL FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>
CASH RECEIPTS:	
Local Taxes	\$147,491
Intergovernmental	14,900
Charges for Services	111,293
Miscellaneous	<u>6,544</u>
Total Cash Receipts	<u>280,228</u>
CASH DISBURSEMENTS:	
Current:	
Security of Persons and Property	42,312
General Government	81,302
Other	5,447
Debt Service:	
Redemption of Principal	51,594
Interest	<u>23,561</u>
Total Cash Disbursements	<u>204,216</u>
Total Receipts Over /(Under) Disbursements	76,012
Fund Cash Balances, January 1	<u>26,420</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$102,432</u></u>

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

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Big Walnut Joint Fire District, Morrow County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Bennington Township, Chester Township, Village of Marengo, Village of Chesterville, and Harmony Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division, or office level of, and within each, the amount appropriated for personal services. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$138,196	\$102,432
Total deposits and investments	\$138,196	\$102,432

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$375,069	\$284,429	(\$90,640)
Total	\$375,069	\$284,429	(\$90,640)

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

3. BUDGETARY ACTIVITY (continued)

Fund Type	2008 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$374,256	\$248,665	\$125,591
Total	\$374,256	\$248,665	\$125,591

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$299,363	\$280,228	(\$19,135)
Total	\$299,363	\$280,228	(\$19,135)

Fund Type	2007 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$296,845	\$204,216	\$92,629
Total	\$296,845	\$204,216	\$92,629

4. PROPERTY TAX

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

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

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

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

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 Fire Station Construction Note	\$417,743	4.51%
2002 Fire Station Construction Note	32,427	3.25%
Total	<u>\$450,170</u>	

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

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

Year Ending December 31	2001 Fire Station Construction Loan		2002 Fire Station Construction Loan	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$53,133	\$17,749	\$3,270	\$1,002
2010	55,579	15,303	3,379	894
2011	58,025	12,857	3,488	786
2012	60,471	10,411	3,595	678
2013	62,921	7,961	3,705	569
2014-2017	127,614	17,266	14,990	2,098
Totals	<u>\$417,743</u>	<u>\$81,547</u>	<u>\$32,427</u>	<u>\$6,027</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The District contributed an amount equal to 14% (2008) and 13.85% (2007) of the Clerk's gross salary. The District has paid all contributions required through December 31, 2008.

BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

7. RISK MANAGEMENT

Commercial Insurance

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

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

KNOX & KNOX

Accountants and Consultants

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

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

We have audited the accompanying financial statements of Big Walnut Joint Fire District, Morrow County, Ohio (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 16, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions 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.

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

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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. We did note a matter communicated to the District in a separate letter dated July 16, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the District's basic 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 the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
July 16, 2009



Mary Taylor, CPA
Auditor of State

BIG WALNUT JOINT FIRE DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 22, 2009**