



**Auditor of State  
Betty Montgomery**



HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY

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**Auditor of State  
Betty Montgomery**

Hill Valley Fire District #3  
Belmont County  
P.O. Box 133  
Colerain, Ohio 43916

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

May 31, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Hill Valley Fire District #3  
Belmont County  
P.O. Box 133  
Colerain, Ohio 43916

To the Board of Trustees:

We have audited the accompanying financial statement of the Hill Valley Fire District #3, Belmont County, Ohio (the Fire District), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Fire District has prepared this 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 (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Fire District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the accompanying financial statement presented for 2005 and 2004, the revisions require presenting entity wide statements for 2005 and 2004. While the Fire District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Fire District has elected not to reformat its statement. Since this 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended December 31, 2005 and 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fire District as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Hill Valley Fire District #3, Belmont County, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Fire District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2006, 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. 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.



**Betty Montgomery**  
Auditor of State

May 31, 2006



**HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash Receipts:</b>		
Local Taxes	\$62,805	\$59,785
Intergovernmental	9,714	9,702
Earnings on Investments	42	36
	<u>72,561</u>	<u>69,523</u>
Total Cash Receipts		
<b>Cash Disbursements:</b>		
Salaries and Fringe Benefits	4,278	4,278
Material and Supplies	40	43
Contracts	65,000	66,000
Insurance	100	100
Other	1,773	3,834
	<u>71,191</u>	<u>74,255</u>
Total Cash Disbursements		
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,370</u>	<u>(4,732)</u>
Cash Balance, January 1	<u>38,381</u>	<u>43,113</u>
<b>Cash Balance, December 31</b>	<b><u><u>\$39,751</u></u></b>	<b><u><u>\$38,381</u></u></b>

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

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**HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004**

**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 Hill Valley Fire District #3, Belmont County (the Fire District), as a body corporate and politic. A two-member Board of Trustees governs the Fire District. Each political subdivision within the Fire District appoints one member. Those subdivisions are Pease Township and Colerain Township. The Fire District provides fire protection and rescue services within the Fire District.

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

**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 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. 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 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.

**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 2005 and 2004 budgetary activity appears in Note 3.

**HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. CASH**

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

	2005	2004
Demand deposits	\$39,751	\$38,381

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004, follows:

2005 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
	\$63,065	\$72,561	\$9,496

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
	\$101,445	\$71,191	\$30,254

2004 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
	\$65,130	\$69,523	\$4,393

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
	\$108,243	\$74,255	\$33,988

**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. 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.

**HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 SYSTEM**

The Fire District's officials belong to the Ohio Public Employees Retirement System (OPERS). 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 2005 and 2004, OPERS member employees contributed 8.5 percent of their gross salaries. The Fire District contributed an amount equal to 13.55 percent of participants' gross salaries.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Fire District is uninsured for the following risks:

- 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***

Hill Valley Fire District #3  
Belmont County  
P.O. Box 133  
Colerain, Ohio 43916

To the Board of Trustees:

We have audited the financial statement of the Hill Valley Fire District #3, Belmont County, Ohio (the Fire District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 31, 2006, wherein we noted the Fire District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fire District's internal control over financial reporting to determine our auditing procedures in order 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.

**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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Fire District's management dated May 31, 2006, we reported another matter related to noncompliance we deemed immaterial.

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Hill Valley Fire District #3  
Belmont 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 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

May 31, 2006



HILL VALLEY FIRE DISTRICT #3  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code § 5705.41(D), not properly certifying the availability of funds prior to incurring an obligation.	No	Partially corrected; Reissued in the management letter.





**Auditor of State  
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**HILL VALLEY FIRE DISTRICT #3**

**BELMONT 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  
JULY 6, 2006**