



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

REGULAR AUDIT

**FOR THE YEARS ENDED DECEMBER 31, 2005
AND DECEMBER 31, 2004**



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance – For the Years Ended December 31, 2005 and December 31, 2004.....	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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 statements due to a February 2, 2005 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 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

July 3, 2006

This page intentionally left blank.



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 statement of the Pic-A-Fay Joint Fire District, Pickaway County, Ohio, (the District) as of and for the years ended December 31, 2005 and December 31, 2004. This financial statement is the responsibility of the 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 statement is 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 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 District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the cash balances the accompanying financial statement presented for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statement. Since this 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 two paragraphs, the financial statement referred to above for the years ended December 31, 2005 and December 31, 2004 does 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, 2005 and December 31, 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 the Pic-A-Fay Joint Fire District, Pickaway County, Ohio as of December 31, 2005 and December 31, 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 District to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2006, 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.



Betty Montgomery
Auditor of State

July 3, 2006

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

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

	2005	2004
Cash Receipts:		
Local Taxes	45,606	46,931
Intergovernmental	4,358	12,112
Earnings on Investments	157	163
Miscellaneous	3,385	2,790
Total Cash Receipts	53,506	61,996
Cash Disbursements:		
Current:		
Security of Persons and Property	15,446	24,802
General Government	18,966	19,026
Debt Service:		
Redemption of Principal	15,953	7,273
Capital Outlay	10,449	27,789
Total Cash Disbursements	60,814	78,890
Total Cash Receipts (Under) Cash Disbursements	(7,308)	(16,894)
Other Financing Receipts:		
Proceeds From Notes	7,350	15,000
Total Other Financing Receipts	7,350	15,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	42	(1,894)
Cash Balance, January 1	21,884	23,778
Cash Balance, December 31	\$21,926	\$21,884

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

This page intentionally left blank.

**PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY 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 Pic-A-Fay Joint Fire District, Pickaway County, Ohio (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. 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 within the District.

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

B. Basis of Accounting

This financial statement follows the accounting basis 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. 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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005 AND 2004
(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 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

2. CASH

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

	2005	2004
Demand deposits	\$21,926	\$21,884

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$56,466	\$60,856	\$4,390

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$52,350	\$60,814	(\$8,464)

2004 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$49,116	\$76,996	\$27,880

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

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$45,000	\$78,890	(\$33,890)

Contrary to Ohio law, expenditures exceeded appropriations for years ended December 31, 2005 and December 31, 2004.

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 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.

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

5. DEBT

In February 2004 the District received a one year, \$15,000, loan from a local bank to purchase a new tanker. The District made monthly principal payments of \$1,000. In January 2005, the District refinanced the remaining balance, \$7,350, for an additional year. Again, the District made monthly principal payments of \$1,000 until the loan was fully paid in July 2005.

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 9 percent and 8.5 percent of their wages. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2005.

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

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

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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



**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***

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 financial statement of the Pic-A-Fay Joint Fire District, Pickaway County, Ohio, (the District) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated July 3, 2006, 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 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 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated July 3, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the 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 certain instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated July 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

July 3, 2006

PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

Finding Number	2005-001
----------------	----------

Material Non-Compliance/Reportable Condition

Certifying Funds Prior to Expenditure

Ohio Rev. Code Section 5705.41 (D) (1) provides 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D) (3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate-** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that 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, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the District.

2. **Blanket Certificate-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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 appropriation.
3. **Super Blanket Certificate-** The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

PIC-A-FAY JOINT FIRE DISTRICT
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

Finding Number	2005-001 (continued)
-----------------------	-----------------------------

Material Non-Compliance/Reportable Condition

Certifying Funds Prior to Expenditure (Continued)

The District did not certify funds for any transactions during 2004 and 2005. By not certifying funds prior to a purchase commitment, this may lead to the District obligating money it does not have.

We recommend that no orders involving the expenditure of money be made unless the Clerk has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Official's Response

We will try and utilize purchase orders in the future. It seems to just complicate things when you only have one fund, but it will probably help us to keep track of how much we are spending on each line item. We always furnish the board with the checking account transactions and the balance at all times, and we balance with the bank each month, so we are pretty sure of how much we have and are spending monthly. The Board always approves expenditures prior to purchase, etc. And we always try to note them in the minutes, so we thought that we were "certifying the funds" in our own way.

Finding Number	2005-002
-----------------------	-----------------

Material Non-Compliance

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a taxing unit from making expenditures unless the funds have been appropriated.

The District's expenditures exceeded appropriations at the legal level of control at December 31, 2005 and December 31, 2004 by the following amounts:

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number	2005-002 (Continued)
-----------------------	-----------------------------

Material Non-Compliance (Continued)

Expenditures in Excess of Appropriations (Continued)

	Object	Appropriation	Expenditure	Variance
December 31, 2005	Salaries	\$7,080	\$7,891	(\$811)
	Insurance	7,100	7,138	(38)
	Debt Retirement	14,350	15,953	(1,603)
	Contract Services	1,390	4,069	(2,679)
	Supplies	1,900	6,774	(4,874)
	Capital Outlay	4,280	10,449	(6,169)
December 31, 2004	Worker's Compensation	450	525	(75)
	Debt Retirement	7,000	7,273	(273)
	Contract Services	1,390	3,283	(1,893)
	Supplies	2,000	17,974	(15,974)
	Capital Outlay	5,680	27,789	(22,109)

This could lead to the District overspending.

We 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.

Official's Response

We are working on a system now that we can more closely identify the types of expenditures and classify them more easily. Hopefully, we can correct that part of the audit. We will be trying to pass a replacement levy with an increase of 0.5 mills to give us a little more money to work with. You have to realize that in 2003 and 2004, we were such a new entity, and really did not know what was expected in terms of accounting. We had a checking account, bills, and not much else. Now, we know just a little more about the budget process. But we are still learning and trying to do what is expected of us.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code 5705.41(D) - The District did not certify any transactions during the audit period	No	Reissued as Finding 2005-001
2003-002	Ohio Rev. Code 5705.41(B) - The District had expenditures in excess of appropriations	No	Reissued as Finding 2005-002
2003-003	Ohio Rev. Code 5705.39 - The District had appropriations in excess of estimate resources.	Yes	
2003-004	Ohio Rev. Code 5705.38 – The district did not pass an annual appropriation during 2003	Yes	



**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

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 15, 2006**