



**Auditor of State  
Betty Montgomery**



**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – For the Years Ended December 31, 2002 and December 31, 2001 .....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11
Schedule of Prior Year Findings .....	12

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Big Walnut Township Fire District  
Morrow County  
P.O. Box 217  
Marengo, Ohio 43334

To the Board of Trustees:

We have audited the accompanying financial statements of Big Walnut Township Fire District, Morrow County, Ohio, (the District), as of and for the years ended December 31, 2002, and 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 balances of Big Walnut Township Fire District, Morrow County, Ohio, as of December 31, 2002, and December 31, 2001, 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 August 15, 2003, 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.

Big Walnut Township Fire District  
Morrow County  
Independent Accountants' Report  
Page 2

The report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under section 117.28, 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**

August 15, 2003

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES**

**FOR THE YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

	<u>2002</u>	<u>2001</u>
<b>Cash Receipts:</b>		
Local Taxes	\$126,677	\$100,009
Intergovernmental	14,550	19,601
Charges for Services	84,242	94,915
Earnings on Investments	1,874	25,232
Miscellaneous	<u>9,093</u>	<u>10,174</u>
Total Cash Receipts	<u>236,436</u>	<u>249,931</u>
<b>Cash Disbursements:</b>		
Current:		
Security of Persons and Property	46,948	74,629
General Government	40,274	29,011
Other	11,116	9,790
Debt Service:		
Redemption of Principal	74,143	69,121
Interest	57,015	55,641
Capital Outlay	<u>355,729</u>	<u>501,942</u>
Total Cash Disbursements	<u>585,225</u>	<u>740,134</u>
Total Receipts (Under) Disbursements	<u>(348,789)</u>	<u>(490,203)</u>
<b>Other Financing Receipts:</b>		
Proceeds from Sale of Public Debt:		
Sale of Notes	<u>50,000</u>	<u>750,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(298,789)	259,797
Cash Balances, January 1	<u>380,841</u>	<u>121,044</u>
<b>Cash Balances, December 31</b>	<u><b>\$82,052</b></u>	<u><b>\$380,841</b></u>

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

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**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Big Walnut Township 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. The District is directed by an appointed five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Chester Township, Bennington Township, Village of Marengo and Village of Chesterville. 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments 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 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.

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2002 budgetary activity appears in Note 3.

**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. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$24,990	\$24,995
Repurchase agreement	<u>57,062</u>	<u>355,846</u>
Total deposits and investments	<u><u>\$82,052</u></u>	<u><u>\$380,841</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the District.

**Investments:** The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

<u>2002 Budgeted vs. Actual Receipts</u>		
<u>Budgeted</u>	<u>Actual</u>	
<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
<u>\$210,000</u>	<u>\$286,436</u>	<u>\$76,436</u>

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$538,520	\$585,225	(\$46,705)

2001 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$195,000	\$999,931	\$804,931

2001 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$310,700	\$740,134	(\$429,434)

Contrary to Ohio law, total budgetary expenditures exceeded the total appropriation authority for the years ended December 31, 2002 and 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.

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. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Fire Truck and Tanker Note	\$188,667	5.00%
2000 Fire Station Construction Note	687,762	6.51%
2002 Fire Station Construction Note	50,000	5.25%
Total	\$926,429	

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

The District issued a general obligation note to finance the purchase of a new tanker and truck. The Note was issued on May 3, 1999 in the amount of \$301,414 with a term of seven years. Payments will be made in seven semi-annual installments. The Note is collateralized by the District's taxing authority and the vehicles.

The District issued general obligation notes to finance the construction of a new fire station. The notes were 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 notes were 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 fire district and other municipalities.

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

	Fire Truck and Tanker Notes	2001 Fire Station Construction Notes	2002 Fire Station Construction Notes
Year ending December 31:			
2003	\$52,727	\$78,435	\$4,823
2004	52,727	78,435	4,823
2005	52,727	78,435	4,823
2006	52,727	78,435	4,823
2007	0	78,435	4,823
2008 - 2017	0	632,203	48,230
Total	<u>\$210,908</u>	<u>\$1,024,378</u>	<u>\$72,345</u>

**6. RETIREMENT SYSTEM**

The District's Clerk belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of the Clerk's gross salary for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Big Walnut Township Fire 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 COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Big Walnut Township Fire District  
Morrow County  
P.O. Box 217  
Marengo, Ohio 43334

To the Board of Trustees:

We have audited the accompanying financial statements of Big Walnut Township Fire District, Morrow County, Ohio, (the District), as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated August 15, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, described in the schedule of findings as item number 2002-001.

**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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 15, 2003.

Big Walnut Township Fire District  
Morrow County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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**Betty Montgomery**  
**Auditor of State**

August 15, 2003

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2001-001</b>
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Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, budgetary expenditures exceeded appropriations as follows::

Object	Appropriations	Expenditures	Expenditures in Excess of Appropriation
Other Expenses	\$7,000	\$9,791	\$2,791
State Examiners Fees	0.0	2,608	2,608
Building Construction	86,000	479,833	393,833
Debt Service	0.0	72,034	72,034
<b>Total</b>	<b>\$75,000</b>	<b>\$564,266</b>	<b>\$471,266</b>

At December 31, 2002, budgetary expenditures exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Expenditure in Excess of Appropriation
Building Construction	\$209,138	\$349,953	\$140,815

We recommend the District make no expenditure unless it has been lawfully appropriated.

**BIG WALNUT TOWNSHIP FIRE DISTRICT  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40659-001	ORC Section 5705.41(D) – Prior Certification of Funds	Yes	Corrected





**Auditor of State  
Betty Montgomery**

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**BIG WALNUT TOWNSHIP 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 30, 2003**