



**Auditor of State
Betty Montgomery**

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Battle Run Joint Fire District
Marion County
209 Battle Street
P.O. Box 241
Prospect, Ohio 43342

To the Board of Trustees:

We have audited the accompanying financial statements of Battle Run Joint Fire District, Marion County, Ohio (the District) as of and for the years ended December 31, 2003 and December 31, 2002. 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District, as of December 31, 2003 and December 31, 2002, 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 April 26, 2004 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.

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

April 26, 2004

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Local Taxes	\$142,502	\$0	\$142,502
Intergovernmental	20,130	0	20,130
Charges for Services	5,000	0	5,000
Earnings on Investments	1,615	242	1,857
Miscellaneous	5,006	0	5,006
	<u>174,253</u>	<u>242</u>	<u>174,495</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	22,444	0	22,444
General Government	42,976	0	42,976
Other	58	0	58
Debt Service:			
Redemption of Principal	68,863	0	68,863
Interest	9,137	0	9,137
Capital Outlay	45,524	0	45,524
	<u>189,002</u>	<u>0</u>	<u>189,002</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(14,749)</u>	<u>242</u>	<u>(14,507)</u>
Fund Cash Balances, January 1	<u>179,073</u>	<u>22,175</u>	<u>201,248</u>
Fund Cash Balances, December 31	<u><u>\$164,324</u></u>	<u><u>\$22,417</u></u>	<u><u>\$186,741</u></u>

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

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Local Taxes	\$136,341	\$0	\$136,341
Intergovernmental	28,019	0	28,019
Charges for Services	5,000	0	5,000
Earnings on Investments	2,526	439	2,965
Miscellaneous	5,154	0	5,154
	<u>177,040</u>	<u>439</u>	<u>177,479</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	24,616	0	24,616
General Government	56,506	0	56,506
Other	3,565	0	3,565
Debt Service:			
Redemption of Principal	28,319	0	28,319
Interest	10,681	0	10,681
Capital Outlay	5,001	0	5,001
	<u>128,688</u>	<u>0</u>	<u>128,688</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>48,352</u>	<u>439</u>	<u>48,791</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	3,565	0	3,565
Transfers-Out	0	(3,565)	(3,565)
	<u>3,565</u>	<u>(3,565)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,917	(3,126)	48,791
Fund Cash Balances, January 1	<u>127,156</u>	<u>25,301</u>	<u>152,457</u>
Fund Cash Balances, December 31	<u>\$179,073</u>	<u>\$22,175</u>	<u>\$201,248</u>

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

**BATTLE RUN FIRE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Battle Run Joint Fire District, Marion County, Ohio (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 two-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Prospect Township and the Village of Prospect. The District provides fire protection and rescue services 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

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.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds. The District had the following debt service fund:

Bond Retirement Fund- The fund is used to accumulate resources for the payment of the District's general obligation bonds which were used to finance fire station construction and site improvements. The bonds were paid off in 2001

**BATTLE RUN FIRE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 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.

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 District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. 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:

	2003	2002
Demand deposits	\$11,202	\$24,140
Total deposits	11,202	24,140
STAR Ohio		177,108
Total investments	175,539	177,108
Total deposits and investments	\$186,741	\$201,248

**BATTLE RUN FIRE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,903	\$174,253	\$6,350
Debt Service	0	242	242
Total	<u>\$167,903</u>	<u>\$174,495</u>	<u>\$6,592</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$247,254	\$189,002	\$58,252
Debt Service	0	0	0
Total	<u>\$247,254</u>	<u>\$189,002</u>	<u>\$58,252</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,679	\$180,605	\$12,926
Debt Service	0	439	439
Total	<u>\$167,679</u>	<u>\$181,044</u>	<u>\$13,365</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,803	\$128,689	\$106,114
Debt Service	3,565	3,565	0
Total	<u>\$238,368</u>	<u>\$132,254</u>	<u>\$106,114</u>

**BATTLE RUN FIRE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, 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 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, 2003 was as follows:

	Principal	Interest Rate
Lease and Purchase Option	91,340	5.67%

The District entered into the lease and purchase option agreement to finance the purchase of a new fire tanker truck.

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

	Lease
Year ending December 31:	
2004	\$35,610
2005	35,610
2006	30,384
Total	\$101,604

6. RETIREMENT SYSTEMS

The District's employees belong to either the Public Employees Retirement System (PERS) of Ohio or Social Security. PERS is a cost-sharing, multiple-employer plans. PERS 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 2003 and 2002, PERS employee members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The District has paid all contributions required through December 31, 2003.

**BATTLE RUN FIRE DISTRICT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property
- Commercial General Liability
- Commercial Crime
- Vehicles
- Portable Equipment; and
- Management Liability

8. SUBSEQUENT EVENTS

In January 2004 the District paid off the lease purchase agreement for the Fire Tanker in the amount of \$92,875 (includes interest).

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Auditor of State Betty Montgomery

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

Battle Run Joint Fire District
Marion County
209 Battle Street
P.O. Box 241
Prospect, Ohio 43342

To the Board of Trustees:

We have audited the accompanying financial statements of Battle Run Joint Fire District, Marion County, Ohio (the District), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 26, 2004. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated April 26, 2004.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

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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. 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 to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 April 26, 2004.

This report is intended solely for the information and use of management and the Board of Trustees, 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

April 26, 2004

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Certification of Expenditures

Ohio Rev. Code Section 5705.41 (D) states that 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 treasure or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements.

- A. Then and Now certificate- if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board of Trustees may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount is involved is less that \$3,000 the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Thirty-three percent of transactions tested were not certified by the Clerk prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

FINDING NUMBER 2003-002

Bank Reconciliations

The District Clerk did not accurately perform monthly bank reconciliations. Manual ledger ending fund balances were not properly reconciled to monthly bank statements. Outstanding check listings were inaccurate and incomplete. At December 31, 2003, the District maintained an unreconciled balance of \$724. Failure to accurately reconcile bank balances to the manual cash journal resulted in errors in the accounting system occurring and going undetected by management.

The cash journal should be reconciled to the bank statements with an explanation of reconciling items. The Board of Trustees should review monthly bank reconciliations and sign them to evidence their review to ensure accountability over all District assets.

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**Auditor of State
Betty Montgomery**

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BATTLE RUN JOINT FIRE DISTRICT

MARION 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 29, 2004**