



**Auditor of State  
Betty Montgomery**



**BLANCHESTER-MARION FIRE DISTRICT JOINT FIRE DISTRICT  
CLINTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – General Fund For the Years Ended December 31, 2004 and 2003 .....	5
Notes to the Financial Statements .....	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.....	15

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**Auditor of State  
Betty Montgomery**

Blanchester-Marion Fire District Joint Fire District  
Clinton County  
447 East Fancy Street  
Blanchester, Ohio 45107

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 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

April 5, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Blanchester-Marion Fire District Joint Fire District  
Clinton County  
447 East Fancy Street  
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the accompanying financial statements of Blanchester-Marion Fire District Joint Fire District, Clinton County, Ohio (the Fire District), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Fire 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 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 these 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 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Fire 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 Fire District has elected not to reformat its statements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Blanchester-Marion Township Joint Fire District, Clinton County, as of December 31, 2004 and 2003, and its combined 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 year ended December 31, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 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

April 5, 2006



**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>Cash Receipts:</b>		
Local Taxes	\$279,134	\$264,545
Intergovernmental	26,029	25,558
Earnings on Investments	2,035	1,953
Miscellaneous	2,039	9,419
Total Cash Receipts	309,237	301,475
<b>Cash Disbursements:</b>		
Current:		
Security of Persons and Property	168,509	95,894
Debt Service:		
Redemption of Principal	28,985	44,500
Interest	0	2,817
Capital Outlay	16,003	34,355
Total Disbursements	213,497	177,566
Total Receipts Over Disbursements	95,740	123,909
Fund Cash Balances, January 1	199,100	75,191
<b>Fund Cash Balances, December 31</b>	<b>\$294,840</b>	<b>\$199,100</b>
Reserves for Encumbrances, December 31	\$1,828	\$0

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

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**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 Blanchester-Marion Township Joint Fire District, Clinton County, Ohio (the Fire District), as a body corporate and politic. An appointed two-member Board of Trustees directs the Fire District. One Board member is appointed by each political subdivision within the Fire District. Those subdivisions are Marion Township and the Village of Blanchester. The Fire District provides fire protection and rescue services within the Fire District and by contract to areas outside the Fire District.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Fire District 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).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The Fire District maintained an interest bearing checking account and certificate of deposit. The certificate of deposit is valued at cost.

**D. Budgetary Process**

The Ohio Revised Code requires that the Fire District adopt an annual budget.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Unencumbered 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.

**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Fire District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Fire District did not encumber all commitments required by Ohio law. However, there were no material outstanding encumbrances at December 31, 2004 and 2003.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. CASH AND DEPOSITS**

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

	2004	2003
Demand deposits	\$237,441	\$142,671
Certificates of deposit	57,399	56,429
Total deposits	\$294,840	\$199,100

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,411	\$309,237	\$22,826
Total	\$286,411	\$309,237	\$22,826

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$476,000	\$215,325	\$260,675
Total	\$476,000	\$215,325	\$260,675

**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts				
Fund Type		Budgeted Receipts	Actual Receipts	Variance
General		\$340,575	\$301,475	(\$39,100)
	Total	\$340,575	\$301,475	(\$39,100)

2003 Budgeted vs. Actual Budgetary Basis Expenditures				
Fund Type		Appropriation Authority	Budgetary Expenditures	Variance
General		\$302,403	\$177,566	\$124,837
	Total	\$302,403	\$177,566	\$124,837

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. 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.

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 Fire District.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Lease	\$164,249	3.86%
Total	\$164,249	

The Fire District obtained a lease to finance the purchase of a new fire truck. The lease was obtained in 2003 in the amount of \$193,234. The lease will be paid in annual installments of \$24,254.70, including interest over 8 years. The District has an option to purchase the truck on the anniversary of the commencement each year of the lease. The truck serves as the collateral and can be repossessed in the event of default.

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

**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT (Continued)**

Year ending December 31:	<u>Lease</u>
2005	\$24,255
2006	24,255
2007	24,255
2008	24,255
2009	24,255
2010-2012	<u>72,763</u>
Total	<u><u>\$194,038</u></u>

**6. RETIREMENT SYSTEMS**

The Fire District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Fire District contributed an amount equaling 13.55 percent of participants' gross salaries. The Fire District has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Blanchester-Marion Township Joint Fire District  
Clinton County  
447 East Fancy Street  
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the financial statements of the Blanchester-Marion Township Joint Fire District, Clinton County, Ohio (the Fire District), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated April 5, 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 statements and not to opine 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 reportable conditions. 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 2004-01.

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 Fire District's management dated April 5, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Fire District's 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-02. In a separate letter to the Fire District's management dated April 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 5, 2006



**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-01**

**Reportable Condition**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

In addition, purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by section 5705.41(D) of the Ohio Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.

During our testing of encumbrances we found:

- The entire general fund balance was recorded as encumbered in error on the annual report for 2003 and 2004. An audit adjustment was posted to the financial statements to record the correct amount of outstanding encumbrances at each year end.
- Purchase orders were issued for a date range rather than issued on a specific date. This makes it difficult to determine if amounts were encumbered prior to the commitment date.

To improve accountability over encumbrances, the District should:

- Record encumbrances properly on the annual report in the amount of the outstanding purchase orders.
- Issue purchase orders on a specific date prior to the commitment date.

**FINDING NUMBER 2004-02**

**Material Noncompliance**

IRC 62(c) and Reg. 1.62-2(c)(3) requires employees to provide expense substantiation for amounts reimbursed by employers. The District passed a resolution establishing yearly expense reimbursements to volunteer firemen, the Fire Chief, Assistant Fire Chief, and Secretary/Treasurer. During 2003 and 2004 the District paid \$3,477.60 to 3 employees and \$22,680 to approximately 30 volunteers. Since receipts or mileage logs were not provided to the District to support these reimbursements these amounts are considered wages which could be subject to withholding and employment taxes. We recommend the District contact the IRS to resolve this issue.

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**BLANCHESER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

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>
2002-30414-001	Ohio Revised Code Section 5705.41(D), failure to certify the availability of funds.	No	Partially corrected; reissued as management letter comment.





**Auditor of State  
Betty Montgomery**

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**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON 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  
MAY 30, 2006**