



**Auditor of State
Betty Montgomery**

PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

Pease Colerain Township Fire District #1
Belmont County
P.O. Box 228
Lansing, Ohio 43934

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

September 21, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Pease Colerain Township Fire District #1
Belmont County
P.O. Box 228
Lansing, Ohio 43934

To the Board of Trustees:

We have audited the accompanying financial statements of Pease Colerain Township Fire District #1, Belmont County, Ohio (the Fire District), as of and for the years ended December 31, 2005 and 2004. 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 years ended December 31, 2005 and 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 years ended December 31, 2005 and 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, 2005 and 2004 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Pease Colerain Township Fire District #1, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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

September 21, 2006

PEASE COLERAIN TOWNSHIP PARK DISTRICT #1
BELMONT COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Receipts:	
Local Taxes	\$44,181
Intergovernmental	6,567
Earnings on Investments	<u>390</u>
Total Cash Receipts	<u>51,138</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	45,000
General Government	4,280
Other	<u>133</u>
Total Cash Disbursements	<u>49,413</u>
Total Cash Receipts Over Cash Disbursements	<u>1,725</u>
Cash Balance, January 1	<u>44,600</u>
Cash Balance, December 31	<u><u>\$46,325</u></u>

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

PEASE COLERAIN TOWNSHIP PARK DISTRICT #1
BELMONT COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Receipts:	
Local Taxes	\$46,773
Intergovernmental	6,585
Earnings on Investments	<u>353</u>
Total Cash Receipts	<u>53,711</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	40,000
General Government	4,541
Other	<u>2,770</u>
Total Cash Disbursements	<u>47,311</u>
Total Cash Receipts Over Cash Disbursements	<u>6,400</u>
Cash Balance, January 1	<u>38,200</u>
Cash Balance, December 31	<u><u>\$44,600</u></u>

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

**PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Pease Colerain Township Fire District #1, 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 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, 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).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Budgetary Process

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

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.

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. The Fire District did not properly encumber all commitments required by Ohio law

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$46,325	\$44,600

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	Actual	
	Receipts	Receipts	Variance
	\$51,000	\$51,138	\$138

2005 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
	Authority	Expenditures	Variance
	\$57,000	\$49,413	\$7,587

2004 Budgeted vs. Actual Receipts

	Budgeted	Actual	
	Receipts	Receipts	Variance
	\$52,525	\$53,711	\$1,186

2004 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
	Authority	Expenditures	Variance
	\$57,000	\$47,311	\$9,689

**PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY**

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

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.

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

6. RETIREMENT SYSTEMS

The Fire District's Trustees and the Clerk 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. The Fire District paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The Fire District has obtained commercial insurance for the following risks:

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

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***

Pease Colerain Township Fire District #1
Belmont County
P.O. Box 228
Lansing, Ohio 43934

To the Board of Trustees:

We have audited the financial statements of the Pease Colerain Township Fire District #1, 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 September 21, 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. A reportable condition involves 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 Fire District'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 2005-001 listed above to be a material weakness. In a separate letter to the Fire District's management dated September 21, 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 that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Fire District's management dated September 21, 2006, we reported an other matter 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 21, 2006

**PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT 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

Noncompliance Citation/Reportable Condition

Ohio Admin. Code Section 117-2-02(A) requires that all local public offices maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code Section 117-2-02(D)(4)(a)(ii) requires that all local public offices maintain a payroll journal that records assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

A payroll ledger was not maintained by the Fire District during the audit period. Maintenance of accurate and complete payroll records for each official is crucial to the overall control of expenditures and providing a permanent record of historical payroll information. In addition, the preparation of required payroll reports to various agencies would be difficult without the report provided by an actual payroll ledger.

We recommend the Fire District maintain a detailed payroll ledger which would include payroll records for each official, for each pay period and quarterly and yearly totals.

PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
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; <i>Explain</i>
2003-41007-001	Ohio Rev. Code Section 5705.41(D)(1) for not properly certifying the availability of funds prior to incurring obligations.	Yes	Finding No Longer Valid.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

PEASE COLERAIN TOWNSHIP FIRE DISTRICT #1

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
NOVEMBER 9, 2006**