

CLEAR CREEK FIRE DISTRICT

ASHLAND COUNTY

AUDIT REPORT

For the Years Ended December 31, 2004 and 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Clear Creek Fire District
PO Box 238
Savannah, Ohio 44874

We have reviewed the *Report of Independent Accountants* of the Clear Creek Fire District, Ashland County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clear Creek Fire District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2007

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CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY
Audit Report
For the years ended December 31, 2004 and 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Clear Creek Fire District
1193 County Road 620, R.D. 5
Ashland, Ohio 44805

We have audited the accompanying financial statements of the Clear Creek Fire District, Ashland County (the District), as of and for the years ended December 31, 2005 and 2004. 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 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the 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 District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 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 statements. Since the 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 District as of December 31, 2005 and 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 of the District, as of December 31, 2005 and 2004, and its cash receipts and disbursements and changes in fund cash balances 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 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

September 25, 2006

**CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Years Ended December 31, 2004 and 2005**

	Special Revenue Fund Types	
	2004	2005
Receipts:		
Taxes	\$ 99,487	\$ 55,187
Intergovernmental	12,158	6,890
Interest	-	251
Donations	81,280	65,791
Miscellaneous	399	6
Total Receipts	193,324	128,125
Disbursements:		
Security of Persons & Property	62,719	67,239
Capital Outlay	130,318	66,050
Debt Service:		
Principal Retirement	69,261	-
Interest & Fiscal Charges	1,518	-
Total Disbursements	263,816	133,289
Excess of Receipts Over/(Under)		
Disbursements	(70,492)	(5,164)
Fund Balance January 1	79,071	8,579
Fund Balance December 31	\$ 8,579	\$ 3,415

See accompanying Notes to the Financial Statements.

**CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Clear Creek Fire District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District provides fire protection and EMS services. The District contracts with the Savannah Volunteer Fire Company for its fire protection and EMS services.

Management believes the financial statements included in this report represent all of the funds of the District over which the District officials have the ability to exercise direct operating control.

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 by the Auditor of State.

C. INVESTMENTS AND INACTIVE FUNDS

The District has only demand deposits. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

• **Special Revenue Funds:**

To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. The District's only fund receives general and tangible personal property taxes for fire protection and EMS services.

CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005

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 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 balances 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 carried over into the subsequent year.

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

F. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. **PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Fire District 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. The second half is due the following June 20.

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

**CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005**

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$ 267,911	\$ 263,816	\$ 4,095
Total	\$ 267,911	\$ 263,816	\$ 4,095

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$ 133,636	\$ 133,289	\$ 347
Total	\$ 133,636	\$ 133,289	\$ 347

2004 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$ 188,840	\$ 193,324	\$ 4,484
Total	\$ 188,840	\$ 193,324	\$ 4,484

2005 Budgeted vs. Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$ 125,057	\$ 128,125	\$ 3,068
Total	\$ 125,057	\$ 128,125	\$ 3,068

CLEAR CREEK FIRE DISTRICT
 ASHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2004 and 2005

4. **RISK MANAGEMENT**

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

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The District pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

5. **CASH AND INVESTMENTS**

The District maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2004 and 2005 follows:

	<u>2004</u>	<u>2005</u>
Demand Deposits	\$ 8,579	\$ 3,415
Total Deposits	<u>\$ 8,579</u>	<u>\$ 3,415</u>

6. **DEBT OBLIGATIONS**

The changes in the District's debt during 2004 and 2005 were as follows:

	<u>Balance Outstanding 12/31/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding 12/31/2004</u>
USDA Loan - 5.125%	\$ 69,261	\$ -	\$ (69,261)	\$ -
Grand Total	<u>\$ 69,261</u>	<u>\$ -</u>	<u>\$ (69,261)</u>	<u>\$ -</u>

The U.S. Department of Agriculture Loan was used for the purchase of a fire truck. The loan was paid from real estate taxes. The entire balance of the loan was paid off on August 30, 2004 and no further payments will be made on this loan.

**CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005**

7. BUDGETARY NONCOMPLIANCE

Contrary to section 5705.41(D), the District did not encumber any of its disbursements for either 2004 or 2005.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Clear Creek Fire District
1193 County Road 620, R.D. 5
Ashland, Ohio 44805

We have audited the financial statements of Clear Creek Fire District, Ashland County, Ohio, (the District) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 25, 2006, wherein we noted the District follows 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 Controls 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 an opinion 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 control 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 2005-CCFD-02.

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 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. However, we consider the reportable condition described above to be 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 September 25, 2006.

Compliance and Other Matters

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, grant agreements and other matters, 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*, which is described in the accompanying Schedule of Findings as item 2005-CCFD-01.

This report is intended 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.

Charles E. Harris & Associates, Inc.

September 25, 2006

CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings
December 31, 2004 and 2005

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

Finding Number: 2005-CCFD-01 – Noncompliance Citation

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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 the contract or order was made ("then"), and at the time that 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 resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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 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 professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating 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.

CLEAR CREEK FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings
December 31, 2004 and 2005

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

Finding Number: 2005-CCFD-01 – Noncompliance Citation (continued)

The District did not properly certify the availability of funds for 100% of expenditures tested for the audit period of 2004 and 2005. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the District's fund exceeding budgetary spending limitations, we recommend the Clerk certify the availability of funds prior to the commitment for the expenditure of District money. The District should consider the use of blanket purchase orders and "Then and Now" certificates to assist in complying with the above requirement.

The District will use encumbrances and purchase orders in the future.

Finding Number: 2005-CCFD-02 – Material Weakness

Per *Ohio Administrative Code* Section 117-2-02, all local public offices shall maintain accounting records in a manual or computerized format. The records used should be based on the nature of the operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
2. Appropriation/Disbursement ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

We noted that the Fire District did not issue receipts for all money received in 2004 and 2005. We also noted that the Fire District did not issue purchase orders for all expenditures in 2004 and 2005. In addition, we noted the District did not use a receipt or disbursement ledger during the period.

We recommend the Fire District to maintain a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger. In addition pre-numbered receipts should be issued for all revenue, with a copy of the receipt attached to any document received pertaining to the revenue. The receipts would then be filed in numerical order.

We also recommend the Fire District to maintain an Appropriation/Disbursement ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The District will use receipt and disbursement ledgers starting in 2006.

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ending December 31, 2002 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

CLEAR CREEK FIRE DISTRICT

ASHLAND 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
JANUARY 30, 2007**