

**MADEIRA - INDIAN HILL JOINT
FIRE DISTRICT**

Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Madeira - Indian Hill Joint Fire District
6475 Drake Road
Cincinnati, Ohio 45243

We have reviewed the Independent Auditor's Report of the Madeira - Indian Hill Joint Fire District, Hamilton County, prepared by Plattenburg & Associates, Inc. for the audit period January 1, 2004 through December 31, 2004. 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.

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 Madeira - Indian Hill Joint Fire District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

September 19, 2005

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July 11, 2005

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Madeira & Indian Hill Joint Fire District

We have audited the accompanying financial statements of the governmental activities and the major fund of the Madeira and Indian Hill Joint Fire District, (the District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Madeira and Indian Hill Joint Fire District as of December 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes, during the year ended December 31, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The District also adopted Government Accounting Standards Board Statement 37, 38, 41 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Required Supplementary Information

The Management's Discussion and Analysis information and the budgetary information is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants

MADEIRA-INDIAN HILL JOINT FIRE DISTRICT, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2004
(Unaudited)

The discussion and analysis of Madeira-Indian Hill Joint Fire District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$39,855 which represents a 2% increase from 2003.
- General revenues accounted for \$2,231,133 in revenue or 100% of all revenues.
- Total assets of governmental activities increased by \$50,059 while cash and other receivables increased by \$132,469.
- The District had \$2,191,278 in expenses related to governmental activities. General revenues of \$2,231,133 were adequate to provide for these programs.
- As a major fund, the General Fund had \$2,231,133 in revenues and \$2,114,955 in expenditures. The General Fund's balance increased from \$472,135 to \$588,313.

Using this Basic Financial Statement Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The General Fund is the only fund of the District.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial.

In the Statement of Net Assets and the Statement of Activities, the District presents governmental activities:

- Governmental Activities – All of the District's programs and services are reported here as security of persons and property.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund.

Governmental Funds All of the District's activities are reported in a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004. Since this is the first year the District has prepared financial statements following GASB 34, comparisons to 2003 are not available.

Table 1
Net Assets

	<u>2004</u>
<u>Governmental Activities</u>	
Assets	
Current and Other Assets	\$777,451
Capital Assets	<u>1,271,490</u>
Total Assets	<u>2,048,941</u>
Liabilities	
Long-Term Liabilities	131,192
Other Liabilities	<u>189,138</u>
Total Liabilities	<u>320,330</u>
Net Assets	
Invested in Capital	
Assets Net of Related Debt	1,271,490
Unrestricted	<u>457,121</u>
Total Net Assets	<u>\$1,728,611</u>

Total assets increased \$50,784. Total liabilities increased \$10,929, resulting in a net asset increase of \$39,855.

Table 2 shows the change in net assets for 2004. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available.

Table 2
Changes in Net Assets

	Governmental Activities <u>2004</u>
Revenues	
General Revenue:	
Grants and Entitlements	\$2,170,792
Other	<u>60,341</u>
Total Revenues	<u>2,231,133</u>
Program Expenses:	
Security of Persons and Property	<u>2,191,278</u>
Total Expenses	<u>2,191,278</u>
Increase in Net Assets	<u>\$39,855</u>

Governmental Activities

The District revenues are mainly from one source. Grants and entitlements comprised 97% of the District's revenues for governmental activities.

The District depends greatly on grants and entitlements as a revenue source.

Security of persons and property comprises 100% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by grants and entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Security of Persons and Property	<u>\$2,191,278</u>	<u>(\$2,191,278)</u>
Total Expenses	<u>\$2,191,278</u>	<u>(\$2,191,278)</u>

The District's Funds

Information about the District's major fund is presented in the Fund Financial Statements. This fund is accounted for using the modified accrual basis of accounting. The general fund balance increased from \$472,135 to \$588,313. The increase can be attributed to the revenue growth rate exceeding expenditure growth.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The only budgeted fund is the General Fund.

During the course of 2004, the District did not amend its general fund budget. The District uses budgeting systems designed to tightly control budgets but provide flexibility for management.

For the General Fund, budget basis revenue was \$2,190,784.

The District's ending unobligated cash balance was \$558,164 above the final budgeted amount.

Capital Assets

Capital Assets

At the end of 2004, the District had \$1,271,490 invested in land, buildings and improvements, and furniture and equipment. Table 4 shows 2004 balances compared to 2003:

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2004</u>
Land	\$24,096	\$24,096
Buildings and Improvements	310,792	308,667
Furniture and Equipment	<u>1,019,012</u>	<u>938,727</u>
Total Net Assets	<u>\$1,353,900</u>	<u>\$1,271,490</u>

The decrease in capital assets is due to \$46,797 in additions, offset by the recognition of \$129,433 depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At December 31, 2004, the District had no debt.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dianne Donlan, Clerk at Madeira-Indian Hill Joint Fire District, 6475 Drake Road, Cincinnati, Ohio 45243.

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Madeira Indian Hill Joint Fire District
Statement of Net Assets
December 31, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$755,572
Prepays	21,879
Nondepreciable Capital Assets	24,096
Depreciable Capital Assets, Net	<u>1,247,394</u>
Total Assets	<u>2,048,941</u>
Liabilities:	
Accrued Liabilities	189,138
Long-Term Liabilities:	
Due In More Than One Year	<u>131,192</u>
Total Liabilities	<u>320,330</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,271,490
Unrestricted	<u>457,121</u>
Total Net Assets	<u><u>\$1,728,611</u></u>

See accompanying notes to the basic financial statements.

Madeira Indian Hill Joint Fire District
Statement of Activities
For the Fiscal Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Security of Persons and Property	\$2,191,278	\$0	\$0	\$0	(\$2,191,278)
Total Governmental Activities	<u>2,191,278</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,191,278)</u>

General Revenues:	
Grants and Entitlements not Restricted to Specific Programs	2,170,792
Investment Earnings	8,305
Other Revenues	52,036
Total General Revenues	<u>2,231,133</u>
Change in Net Assets	39,855
Net Assets Beginning of Year (Restated)	<u>1,688,756</u>
Net Assets End of Year	<u>\$1,728,611</u>

See accompanying notes to the basic financial statements.

Madeira Indian Hill Joint Fire District
Balance Sheet
Governmental Fund
December 31, 2004

	<u>General</u>
Assets:	
Equity in Pooled Cash and Investments	\$755,572
Prepays	<u>21,879</u>
Total Assets	<u><u>777,451</u></u>
Liabilities and Fund Balances:	
Liabilities:	
Accrued Liabilities	<u>189,138</u>
Total Liabilities	<u>189,138</u>
Fund Balances:	
Reserved for Prepaid Items	21,879
Unreserved, Designated for Capital Items	348,141
Unreserved, Designated for Compensated Absences	131,192
Unreserved, Undesignated, Reported in:	
General Fund	<u>87,101</u>
Total Fund Balances	<u>588,313</u>
Total Liabilities and Fund Balances	<u><u>\$777,451</u></u>

See accompanying notes to the basic financial statements.

Madeira Indian Hill Joint Fire District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balance \$588,313

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 1,271,490

Some liabilities reported in the statement of net assets do not
require the use of current financial resources and therefore
are not reported as liabilities in governmental funds.

Compensated Absences (131,192)
(131,192)

Net Assets of Governmental Activities \$1,728,611

See accompanying notes to the basic financial statements.

Madeira Indian Hill Joint Fire District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended December 31, 2004

	<u>General</u>
Revenues:	
Investment Earnings	\$8,305
Intergovernmental	2,170,792
Other Revenues	<u>52,036</u>
Total Revenues	<u>2,231,133</u>
Expenditures:	
Current:	
Security of Persons and Property	2,067,930
Capital Outlay	<u>47,025</u>
Total Expenditures	<u>2,114,955</u>
Net Change in Fund Balance	116,178
Fund Balance Beginning of Year	<u>472,135</u>
Fund Balance End of Year	<u><u>\$588,313</u></u>

See accompanying notes to the basic financial statements.

Madeira Indian Hill Joint Fire District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2004

Net Change in Fund Balance - Total Governmental Funds \$116,178

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	47,025	
Depreciation Expense	<u>(129,435)</u>	(82,410)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	<u>6,087</u>	
		<u>6,087</u>

Change in Net Assets of Governmental Activities		<u><u>\$39,855</u></u>
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See accompanying notes to the basic financial statements.

**MADEIRA-INDIAN HILL JOINT FIRE DISTRICT
HAMILTON COUNTY, OHIO**

Notes to the Basic Financial Statements
For The Year Ended December 31, 2004

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Madeira & Indian Hill Joint Fire District (the "District") is a political body incorporated and 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 was established by the councils of the Cities of Indian Hill and Madeira under the provisions of Section 505.371, Ohio Revised Code, on December 17, 1984, commencing operation as a District on January 1, 1985. The Fire District operates under the direction of a twelve member Board of Trustees, of which two members are council members of their respective City. The District provides the following services: fire protection, medical services, public safety and other public services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District's only fund is the General Fund.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District's only fund is the General Fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's only major governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty days of year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants and entitlements. Revenue from grants and entitlements is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The District had no deferred revenue at year end.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

To improve cash management the District's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

For presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

The General fund is the only fund and receives all interest earnings. Interest revenue credited to the general fund amounted to \$8,305.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	10-30 years
Furniture and Equipment	3-15 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Compensated absences are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, prepaids are recorded as a reservation of fund balance.

Designations may be established to indicate tentative plans for financial resource utilization in a future period. The District has financial resources designated for future capital replacement and future compensated absences liabilities.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the district not being able to present budgetary comparisons for the general and each major special revenue fund. At year end, there was no effect on fund balance as a result of implementing GASB statements 37 and 38. GASB interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major fund of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>
Fund Balances, December 31, 2003	\$472,135
Fund Reclassification	<u>0</u>
Adjusted Fund Balances, December 31, 2003	\$472,135
GASB 34 Adjustments:	
Capital Assets	\$1,353,900
Compensated Absences Payable	<u>(137,279)</u>
Governmental Activities Net Assets, December 31, 2003	<u>\$1,688,756</u>

3. DEPOSITS AND INVESTMENTS

Cash resources are combined to form a pool of cash and investments. This pool is displayed on the combined balance sheet as “Equity in Pooled Cash and Investments.”

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of “active” funds – those funds required to be kept in “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds – those funds not required for use within the current period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds – those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty day;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository with which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amount equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Deposits collateralized by investment pools are classified as Category 3 deposits per GASB Statement No. 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District’s name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.
- Category 3 Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name.

Investments:

- Category 1 Insured or registered, with securities held by the District or its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

A. Deposits

At year end, the carrying amount of the District’s deposits was \$50,133 and the bank balance was \$75,471. Federal Depository Insurance covered \$75,471 of the deposits and bank balance.

B. Investments

The District’s investments at year end are summarized below:

	Carrying Value/
<u>Categorized Investments</u>	<u>Fair Value</u>
StarOhio(1)	<u>\$705,439</u>

(1) Investment is not categorized because it is not evidenced by securities that exist in physical or book entry form.

4. CAPITAL ASSETS

Capital asset activity for the current year end was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$24,096	\$0	\$0	\$24,096
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	922,457	16,783	0	939,240
Furniture and Equipment	<u>1,970,135</u>	<u>30,014</u>	<u>(95,597)</u>	<u>1,904,552</u>
Total Capital Assets	<u>2,916,688</u>	<u>46,797</u>	<u>(95,597)</u>	<u>2,867,888</u>
Less Accumulated Depreciation:				
Buildings and Improvements	611,665	18,908	0	630,573
Furniture and Equipment	<u>951,123</u>	<u>110,299</u>	<u>(95,597)</u>	<u>965,825</u>
Total Accumulated Depreciation	<u>1,562,788</u>	<u>129,207</u>	<u>(95,597)</u>	<u>1,596,398</u>
Governmental Activities Capital Assets, net	<u>\$1,353,900</u>	<u>(\$82,410)</u>	<u>\$0</u>	<u>\$1,271,490</u>

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	<u>\$129,207</u>
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5. COMPENSATED ABSENCES

Sick leave is accrued at the rate of 4.6 hours for each 80 hours worked. Upon retirement from active service with the District, employees may convert one-fourth of unused sick leave (maximum 720 hours) to pay. Employees cannot accumulate vacation and must use available balances prior to year end. Therefore, no amount for vacation has been included in the compensated absences liability at year end.

6. INSURANCE

The District maintains comprehensive coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured. Settled claims have not exceeded coverage in any of the past three years. There have been no significant changes in coverage from last year.

7. PENSION PLANS

Public Employees Retirement System

The District participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustment to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the District is 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The District's required contributions to PERS for the years ended December 31, 2004, 2003 and 2002 were \$14,887, \$18,214, and \$16,636, respectively. The full amount has been contributed for 2003 and 2002 and 100 percent has been contributed for 2004.

Ohio Police and Fire Pension Fund

The District contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the District is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by State statute. The District's contributions to the OP&F for the years ending December 31, 2004, 2003 and 2002 were \$239,246, \$227,085 and \$209,829, respectively. The full amount has been contributed for 2003 and 2002 and 75 percent has been contributed for 2004.

8. POST EMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At year end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The District's actual contributions for the current year, which were used to fund postemployment benefits were \$4,395. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the Ohio Police and Fire Pension Fund use Social Security. As of December 31, 2004, several employees have elected Social Security. The District's liability is 6.2% of wages paid.

9. PENSION PLAN

The employees of the Madeira & Indian Hill Fire Company (the predecessor entity) were members of their own defined benefit pension plan prior to the department becoming a public entity. The assets of the plan are under the control of a trustee. The plan has assets with a market value in excess of \$967,786 as of December 31, 2004. The financial statements for this plan are not included in this report and have not been audited.

10. CONTINGENT LIABILITY

The Madeira & Indian Hill Joint Fire District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Madeira Indian Hill Joint Fire District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,125,060	\$2,125,060	\$2,170,792	\$45,732
Investment Earnings	21,908	21,908	8,305	(13,603)
Other Revenues	43,816	43,816	52,036	8,220
Total Revenues	<u>2,190,784</u>	<u>2,190,784</u>	<u>2,231,133</u>	<u>40,349</u>
Expenditures:				
Current:				
Security of Persons and Property	2,585,745	2,585,745	2,067,930	517,815
Capital Outlay	47,025	47,025	47,025	0
Total Expenditures	<u>2,632,770</u>	<u>2,632,770</u>	<u>2,114,955</u>	<u>517,815</u>
Excess of Revenues Over (Under) Expenditures	<u>(441,986)</u>	<u>(441,986)</u>	<u>116,178</u>	<u>558,164</u>
Net Change in Fund Balance	(441,986)	(441,986)	116,178	558,164
Fund Balance Beginning of Year	<u>472,135</u>	<u>472,135</u>	<u>472,135</u>	<u>0</u>
Fund Balance End of Year	<u>\$30,149</u>	<u>\$30,149</u>	<u>\$588,313</u>	<u>\$558,164</u>

See accompanying notes to the required supplementary information.

MADEIRA-INDIAN HILL JOINT FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2004

1. BUDGETARY PROCESS

The District prepares its budget on a GAAP basis. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the budget, the appropriations resolution and the certificate of estimated resources which are also prepared on the GAAP basis of accounting. The certificate of estimated resources establishes a limit on the amount that the Board of Trustees may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year 2004.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

As indicated above, the District prepares its budget on a GAAP basis. Therefore there are no differences between the budget basis and GAAP basis.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

July 11, 2005

Board of Trustees
Madeira & Indian Hill Joint Fire District

We have audited the financial statements of the governmental activities and the major fund information of the Madeira and Indian Hill Joint Fire District (the District), as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 11, 2005, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34, 37, 38, 41 and Governmental Accounting Standards Board Interpretation No. 6. 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.

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Auditor of State and the Board of Trustees of the Madeira and Indian Hill Joint Fire District and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MADEIRA-INDIAN HILL JOINT FIRE DISTRICT

HAMILTON 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
OCTOBER 6, 2005**