



Mary Taylor, CPA  
Auditor of State



BLANCHESTER-MARIION TOWNSHIP JOINT FIRE DISTRICT  
CLINTON COUNTY

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# Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 23, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Blanchester-Marion Township Joint Fire District, Clinton County, Ohio (the Fire District), as of and for the years ended December 31, 2006 and 2005. 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 for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Fire District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Fire District has elected not to reformat its statements. Since this Fire District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 and 2005 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, 2006 and 2005, 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 combined fund cash balances and reserves for encumbrances of Blanchester-Marion Township Joint Fire District, Clinton County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Fire District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 23, 2007

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash Receipts:</b>		
Local Taxes	\$270,757	\$276,076
Intergovernmental	50,960	31,432
Earnings on Investments	2,933	2,267
Miscellaneous	5,924	5,870
Total Cash Receipts	330,574	315,645
<b>Cash Disbursements:</b>		
Current:		
Security of Persons and Property	153,057	113,915
Other		
Debt Service:		
Redemption of Principal	18,606	17,915
Interest	5,649	6,304
Capital Outlay	81,454	294,161
Total Disbursements	258,766	432,295
Total Receipts Over/(Under) Disbursements	71,808	(116,650)
<b>Other Financing Receipts</b>		
Sale of Fixed Assets	26,000	_____
Total Other Financing Receipts	26,000	_____
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	97,808	(116,650)
Fund Cash Balances, January 1	178,190	294,840
<b>Fund Cash Balances, December 31</b>	<b>\$275,998</b>	<b>\$178,190</b>
Reserves for Encumbrances, December 31	\$11,748	\$5,026

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits, 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. Cash and Deposits**

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

**D. Budgetary Process**

The Ohio Revised Code requires the Fire District to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**3. Encumbrances**

The Ohio Revised Code requires the Fire District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Fire District did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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

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

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	2006	2005
Demand deposits	\$215,040	\$119,204
Certificates of deposit	60,958	58,986
Total deposits	\$275,998	\$178,190

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$293,703	\$356,574	\$62,871
Total	\$293,703	\$356,574	\$62,871

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$405,026	\$270,514	\$134,512
Total	\$405,026	\$270,514	\$134,512

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,958	\$315,645	\$30,687
Total	\$284,958	\$315,645	\$30,687

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$496,000	\$437,321	\$58,679
Total	\$496,000	\$437,321	\$58,679

**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 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.

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.

**5. LEASES**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
2003 Fire Truck Lease/Purchase	127,728	3.86%
2006 Fire Truck lease Purchase	245,000	4.69%
Total	\$372,728	

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. LEASES (Continued)**

The Fire District obtained a lease to finance the purchase of the 2003 Fire Truck. The lease was obtained in 2003 in the amount of \$193,234. The lease will be paid in annual installments of \$24,255, including interest, over 8 years. The Fire District has the option to purchase the fire truck on the anniversary of the commencement each year of the lease. The fire truck serves as collateral.

The Fire District obtained a lease to finance the purchase of the 2006 Fire Truck. The lease was obtained in 2006 in the amount of \$245,000. The lease will be paid in annual installments of \$31,623, including interest, over 10 years with an initial payment of \$6,800 in 2007. The Fire District has the option to purchase the fire truck on the anniversary of the commencement each year of the lease. The fire truck serves as collateral.

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

Year ending December 31:	2003 Fire Truck Lease	2006 Fire Truck Lease
2007	\$24,255	\$6,800
2008	24,255	31,623
2009	24,255	31,623
2010	24,255	31,623
2011	24,255	31,623
2012-2016	24,255	158,115
2017	24,255	31,623
Total	\$145,530	\$323,030

**6. RETIREMENT SYSTEMS**

The Fire District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plans. 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 2006, OPERS member employees contributed 8.5 percent and 9.0 percent respectively of their gross salaries for 2005 and 2006. The District contributed an amount equal to 13.55 percent and 13.70 percent respectively of participants' gross salaries. The District has paid all obligations required through December 31, 2006.

**7. RISK MANAGEMENT**

**Commercial Insurance**

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

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Blanchester-Marion Township Joint Fire District, Clinton County, Ohio (the Fire District), as of and for the years ended December 31, 2006 and 2005 and have issued our report thereon dated April 23, 2007, 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 as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Fire District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fire District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Fire District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002. A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Fire District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Fire District's management in a separate letter dated April 23, 2007.

#### **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 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Fire District's management in a separate letter dated April 23, 2007.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 23, 2007

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency**

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

During our testing of encumbrances we noted the entire general fund balance was recorded as encumbered in error on the annual report for 2006 and 2005. An audit adjustment was posted to the financial statements to record the correct amount of outstanding encumbrances at each year end. When the District encumbers the entire fund balance at year end it means all of the District's money is set aside for that years expenditures and there is no unencumbered balance left to appropriate for the next year.

To improve accountability over encumbrances, the District should record encumbrances properly on the annual report in the amount of the outstanding purchase orders.

**Officials' Response:**

The Fire District will implement corrective action.

**FINDING NUMBER 2006-002**

**Material Noncompliance/Significant Deficiency**

**Ohio Rev. Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated 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 that 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 Blanchester-Marion Township Joint Fire 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 ordinance or resolution.

**FINDING NUMBER 2006-002  
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 expenditures 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 or ordinance 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.

The District did not properly certify the availability of funds for purchase commitments for 47% of 2006 and 53% of 2005 expenditures tested and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District officials and employees obtain the Clerk’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials’ Response:**

The Fire District did not respond to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	The Fire District encumbered the entire fund balance in its annual report in error and purchase orders were issued without a specific date	No	Repeated as Findings 2006-001.
2004-002	A citation per IRC 62(c) and Reg. 1.62-2(c)(3) for providing expense substantiation for amounts reimbursed by employers.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**BLANCHESTER-MARION TOWNSHIP JOINT FIRE DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 15, 2007**