

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA
Auditor of State

Board of Trustees
Battle Run Joint Fire District
209 Battle Street
P.O. Box 241
Prospect, Ohio 43342

We have reviewed the *Independent Auditors' Report* of the Battle Run Joint Fire District, Marion County, prepared by Holbrook & Manter, 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 *Independent Auditors' Report* 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 *Independent Auditors' Report* 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 Battle Run Joint Fire District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 28, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Battle Run Joint Fire District
Marion County

We have audited the accompanying financial statements of Battle Run Joint Fire District, Marion County, Ohio, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discussed in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State of Ohio 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. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 of Ohio permits, but does not require, governments to reformat their statements. The District has elected not to reformat its statements. Since this 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 of Ohio 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 years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Battle Run Joint Fire District, Marion County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Government 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 November 13, 2007 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 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.



Certified Public Accountants

November 13, 2007

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	
Cash receipts:-			
Local taxes	\$ 141,320	\$ 0	\$ 141,320
Intergovernmental	18,325	0	18,325
Charges for services	8,000	0	8,000
Earnings on investments	6,081	0	6,081
Miscellaneous	<u>1,485</u>	<u>0</u>	<u>1,485</u>
Total cash receipts	<u>175,211</u>	<u>0</u>	<u>175,211</u>
Cash disbursements:-			
Current;-			
Security of persons and property	28,954	0	28,954
General government	36,149	0	36,149
Other	7,748	0	7,748
Debt service;-			
Redemption of principal	51,492	0	51,492
Interest	4,153	0	4,153
Capital outlay	<u>14,424</u>	<u>0</u>	<u>14,424</u>
Total cash disbursements	<u>142,920</u>	<u>0</u>	<u>142,920</u>
Total cash receipts over (under) cash disbursements	32,291	0	32,291
Fund cash balances, January 1, 2005	<u>158,189</u>	<u>1,633</u>	<u>159,822</u>
Fund cash balances, December 31, 2005	<u><u>\$ 190,480</u></u>	<u><u>\$ 1,633</u></u>	<u><u>\$ 192,113</u></u>

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

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash receipts:-			
Local taxes	\$ 141,609	\$ 0	\$ 141,609
Intergovernmental	72,938	0	72,938
Charges for services	5,000	0	5,000
Earnings on investments	2,102	0	2,102
Miscellaneous	4,225	0	4,225
	<u>225,874</u>	<u>0</u>	<u>225,874</u>
Total cash receipts			
Cash disbursements:-			
Current;-			
Security of persons and property	33,486	0	33,486
General government	34,432	0	34,432
Other	5,005	0	5,005
Debt service;-			
Redemption of principal	91,340	0	91,340
Interest	1,535	0	1,535
Capital outlay	191,745	0	191,745
	<u>357,543</u>	<u>0</u>	<u>357,543</u>
Total cash disbursements			
Other financing receipts (disbursements):-			
Transfers - in	20,784	0	20,784
Transfers - out	0	(20,784)	(20,784)
Sale of fixed assets	4,750	0	4,750
Sale of note	100,000	0	100,000
	<u>125,534</u>	<u>(20,784)</u>	<u>104,750</u>
Total other financing receipts (disbursements)			
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(6,135)	(20,784)	(26,919)
Fund cash balances, January 1, 2004	<u>164,324</u>	<u>22,417</u>	<u>186,741</u>
Fund cash balances, December 31, 2004	<u>\$ 158,189</u>	<u>\$ 1,633</u>	<u>\$ 159,822</u>

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

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Battle Run Joint Fire District, Marion County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed two-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Prospect Township and the Village of Prospect. The District provides fire protection and rescue services within the District.

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

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 or permitted by the Auditor of State.

Cash and Investments - Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

Fund Accounting - The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Debt Service Fund

This fund is used to accumulate resources for the payment of bonds. The District had the following debt service fund.

Bond Retirement Fund

This fund is used to accumulate resources for the payment of the District's general obligation bonds which were used to finance fire station construction and site improvements. The bonds were paid off in 2001. In a court order dated March 8, 2004, the District was granted permission to transfer \$20,784 from the Bond Retirement Fund to the General Fund and release all restrictions on these monies.

Budgetary Process - The Ohio Revised Code requires that each fund be budgeted annually.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The Marion County Budget Commission must also approve the annual appropriation measure.

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio Law.

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

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.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	2005	2004
Demand deposits	\$ 18,030	\$ 15,599
STAR Ohio	174,083	144,223
Total deposits and investments	\$ 192,113	\$ 159,822

Deposits - The District's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Fire District, or (3) collateralized by the financial institution's public entity deposit pool.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 171,205	\$ 175,211	\$ 4,006
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>171,205</u>	\$ <u>175,211</u>	\$ <u>4,006</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 216,600	\$ 142,920	\$ 73,680
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>216,600</u>	\$ <u>142,920</u>	\$ <u>73,680</u>

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 254,689	\$ 351,408	\$ 96,719
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>254,689</u>	\$ <u>351,408</u>	\$ <u>96,719</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 315,979	\$ 357,543	\$ (41,564)
Debt Service	<u>0</u>	<u>20,784</u>	<u>(20,784)</u>
Total	\$ <u>315,979</u>	\$ <u>378,327</u>	\$ (<u>62,348)</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2004 by \$41,564 in the General Fund and \$20,784 in the Debt Service Fund.

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of 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 County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the Marion County by each April 30.

The County is responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the District.

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
United Bank - EMS Vehicle	\$ 48,058	4.13%

During a prior year, the District entered into a lease and purchase option agreement to finance the purchase of a new fire tanker truck. The final payment was made in January 2004.

During 2004, the District entered into a loan agreement with the United Bank for the purchase of an EMS vehicle. The total loan amount is for \$100,000 and is to be paid back over 3 years. Payments on the balance began on November 30, 2004 and the final payment will be due October 15, 2007.

Amortization of the above debt is as follows:

	Principal	Interest	Total
Year Ending December 31:			
2006	\$ 33,252	\$ 2,843	\$ 36,095
2007	14,806	1,290	16,096
Total	\$ 48,058	\$ 4,133	\$ 52,191

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 6 - RETIREMENT SYSTEMS:-

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries during 2005 and 2004. The District contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The District has paid all contributions required through December 31, 2005.

NOTE 7 - RISK MANAGEMENT:-

The District has obtained commercial insurance for the following risks:

- Comprehensive Property
- Commercial General Liability
- Commercial Crime
- Vehicles
- Portable Equipment; and
- Management Liability



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*

Board of Trustees
Battle Run Joint Fire District
Marion County

We have audited the accompanying financial statements of Battle Run Joint Fire District, Marion County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 13, 2007, wherein we noted the 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 District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-004, 2005-005, 2005-006 and 2005-007. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider items 2005-4 and 2005-7 to be material weaknesses. Also, in a separate letter to the District's management dated November 13, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the 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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001, 2005-002 and 2005-003. In a separate letter to the District's management dated November 13, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Shuller & Manton
Certified Public Accountants

November 13, 2007

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-001
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Non Compliance Citation – Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This Section provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free from any previous encumbrances, the Board of Commissioners may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of the Board of Commissioners, if such expenditure is otherwise valid

During our testing of expenditures, we noted that there was some form of purchase orders being used but they were not being completed properly. We did not see where any of them were completed before the purchase was made nor did we see where the Fiscal Officer had certified any of the purchase orders. We recommend that the Fiscal Officer certify that sufficient funds are available prior to ordering goods and services.

Officials' Response

The Fire District is aware of the above issue and subsequent to the audit period, the District hired a new fiscal officer. She has implemented a new purchase order policy and with the assistance of the implementation of the UAN computer system, the District has been able to monitor the certification of expenditures

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-002
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Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the budgetary expenditures exceeded appropriations throughout the year for several line items – (See Footnote 3 within the report). This condition limits the effectiveness of the District’s compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Fiscal Officer deny payment request or purchase orders exceeding appropriations until the District’s Board approves an increase to appropriations through a resolution and the Fiscal Officer then prepares an amendment to the original appropriation of expenditures.

Officials’ Response

The District is aware that this issue occurred during the audit period, but subsequent to year end, a new fiscal officer was hired and the District has submitted all necessary reports to the County and monitored the totals throughout the year for necessary amendments.

Finding Number	2005-003
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Noncompliance Citation – Bonding of Public Officials

Ohio Revised Code Section 505.372 states that before entering upon the duties of his office, the fiscal officer of the board of fire district trustees shall execute a bond, in the amount and with surety to be approved by the board of fire district trustees, payable to the state, conditioned for the faithful performance of all the official duties required of him. Such bond shall be deposited with the presiding officer of the board, and a copy thereof, certified by him, shall be filed with the county auditor.

During our compliance testing, we noted that the District did not bond the fiscal officer upon her entering the duties of her office nor is the fiscal officer currently bonded at this time.

Officials’ Response

The District intends on following up accordingly and obtaining the proper bonding for all officials in the near future.

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-004
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Internal Control Reportable Conditions -Material Weakness – Annual Report and Ledger Posting and Classification Errors

During our audit, we noted that for both 2005 and 2004, several posting errors existed in the manual financial records. Failure to accurately complete postings to the ledgers for the annual financial reporting may contribute to the financial statements being materially misstated. Several line items were not consistently classified from year to year.

We recommend proper completion and a more in depth review of the daily postings may prevent some of the errors from occurring and will allow you to verify the report is mathematically accurate and in agreement with all of the District's detail. Further, we suggest that the District consider implementing a computerized system to maintain day-to-day accounting activities. By doing this, the District will be able to better utilize handbooks to assist with the verification of proper account codes and classification in the preparation of the annual report and recording of daily activities.

Officials' Response

The Fire District invested in the use of the Uniform Accounting Network through the Auditor of State's Office during June of 2006 to track and maintain the financial activity of the fire district. Also, subsequent to the audit period, the District hired a new fiscal officer and she has attended various training sessions to learn the proper and most efficient and effective way to utilize the UAN system for the Fire District. The Fire District intends on monitoring this issue throughout the year by reviewing the appropriate reports to determine that the controls are in place and functioning properly with the use of the UAN system.

Finding Number	2005-005
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Internal Control Reportable Condition – Overall Internal Control and Review Procedures

Although the Board receives and reviews a select number of reports from the Fiscal Officer of the District for approval on a monthly basis, the District has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that the District's Board is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The District should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Board each month.

Officials' Response

The District's Fiscal Officer will provide the bank reconciliations and bank statements to the Board for their review and approval at each months meeting. The District will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.

**BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-006
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Internal Control Reportable Condition – Internal Controls of Accounting Systems

Entities of all sizes should continuously evaluate their recordkeeping, financial reporting, and compliance tools in place and their suitability for the current operating, reporting, and compliance needs and objectives. The appropriate selection of an accounting system can affect an entity significantly and would have implications for the efficiency and effectiveness of its internal control systems, the integrity and reliability of the financial reporting, the ongoing operational monitoring capabilities, and regulatory compliance efforts.

Officials' Response

The Fire District invested in the use of the Uniform Accounting Network through the Auditor of State's Office during June of 2006 to track and maintain the financial activity of the fire district. Also, subsequent to the audit period, the District hired a new fiscal officer and she has attended various training sessions to learn the proper and most efficient and effective way to utilize the UAN system for the Fire District. The Fire District intends on monitoring this issue throughout the year by reviewing the appropriate reports to determine that the controls are in place and functioning properly with the use of the UAN system.

Finding Number	2005-007
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Internal Control Reportable Conditions - Material Weakness – Incomplete Bank Reconciliations

The Fiscal Officer did not accurately perform monthly bank reconciliations. Manual ledger ending fund balances were not properly reconciled to monthly bank statements. The outstanding check listings were inaccurate and incomplete. Failure to accurately reconcile bank balances to the manual cash journal resulted in errors in the accounting system occurring and going undetected by management. On November 13, 2007, a formal approval was signed by the Board members to make a fund balance adjustment in the amount of \$2,159 in favor of the District's ledgers for the 2004/2005 audit due primarily to book keeping errors.

The cash journal should be reconciled to the bank statements with an explanation of reconciling items. The Board of Trustees should review monthly bank reconciliations and sign them to evidence their review to assist with the verification of accountability over all District assets.

Officials' Response

The Fire District is aware of the above issues and did approve the adjustment on November 13, 2007. The District intends to complete monthly bank reconciliations, with an explanation of any and all reconciling items and provide them to the Trustee's of the Fire District for their review and approval. This review process will assist in the monitoring of the reconciliations balancing each month to the proper fund balances and the District's accountability over the assets.

BATTLE RUN JOINT FIRE DISTRICT
MARION COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Reissued as a Finding in the current audit report as Finding #2005-003.
2003-002	Bank Reconciliations	No	Reissued as a Finding in the current audit report as Finding #2005-007.



Mary Taylor, CPA
Auditor of State

BATTLE RUN JOINT FIRE DISTRICT
MARION 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 10, 2008