



**Auditor of State  
Betty Montgomery**



WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY

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**Auditor of State  
Betty Montgomery**

Winchester Community Fire District  
Adams County  
24 West Washington Street  
Winchester, Ohio 45697

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 Fire District 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 black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 11, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

Winchester Community Fire District  
Adams County  
24 West Washington Street  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of the Winchester Community Fire District, Adams County, Ohio (the Fire District), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion.

As discussed 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 reasonable determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Fire District to reformat its financial statement presentation and make other changes effective for the year 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 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 the 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fire District as of December 31, 2005 and 2004, or their changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Fire District to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Fire District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2006 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

October 11, 2006



**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>Cash Receipts:</b>		
Local Taxes	\$25,442	\$27,511
Intergovernmental	3,755	4,396
Charges for Services	29,270	22,264
Interest	331	180
Miscellaneous	58	1,023
	58,856	55,374
<b>Total Cash Receipts</b>		
<b>Cash Disbursements:</b>		
Curent:		
General Government	6,638	9,283
Security of Persons & Property	29,296	38,143
Capital Outlay	0	18,028
<b>Total Cash Disbursements</b>	35,934	65,454
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	22,922	(10,080)
<b>Fund Cash Balances, January 1</b>	29,733	39,813
<b>Fund Cash Balances, December 31</b>	\$52,655	\$29,733

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

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**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Winchester Community Fire District, Adams County, Ohio (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 three-member Board of Trustees. The Village of Winchester and Winchester Township are represented on the Board of Trustees. The District provides fire protection to the Village of Winchester and Winchester Township, and contracts their services to provide fire protection for Jackson and Eagle Townships in Brown County.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash Deposits**

The District maintains all funds in an interest bearing checking account.

**D. Fund Accounting**

The District uses the General Fund as the general operating fund. It is used to account for all financial resources. The District does not receive resources that are required to be accounted for in a separate fund.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

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

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law; however, there were no material encumbrances outstanding at year end.

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

**F. Property, Plant and Equipment**

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

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

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

	2005	2004
Demand deposits	\$52,655	\$29,733

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,000	\$58,856	\$11,856

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,500	\$35,934	\$26,566

**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,000	\$55,374	\$8,374

2004 Budgeted vs. Actual Receipts			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,090	\$65,454	(\$4,364)

Ohio Revised Code, 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2004, the Fire District had expenditures in excess of appropriations in the General Fund of \$4,364.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 the County by December 31. If the property owner elects to make semiannual payment, 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 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 District.

**5. RETIREMENT SYSTEMS**

The District's officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. 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.

**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

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

**6. RISK MANAGEMENT**

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

- General liability;
- Vehicles;
- Errors and omissions;
- Inland Marine; and
- Volunteer Fireman's Accident and Sickness.



**Auditor of State  
Betty Montgomery**

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

Winchester Community Fire District  
Adams County  
24 West Washington Street  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the financial statement of Winchester Community Fire District, Adams County, Ohio (the Fire District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 11, 2006 wherein we noted the Fire District prepared its financial statements using accounting practices the Auditor of State established rather than accounting practices 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 *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 Fire District's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fire 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 2005-001 through 2005-003.

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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Fire District's management dated October 11, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Fire District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2005-001 and 2005-003. In a separate letter to the Fire District's management dated October 11, 2006, 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, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

October 11, 2006



**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), 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 Fire District can authorize the drawing of a warrant for the payment of the amount due. The Fire District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than three thousand dollars (\$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 Fire 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 Fire 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 Fire District has then and now language on their vouchers. However, 100% of the expenditures over \$3,000 were not specifically approved by the legislative authority by resolution. We recommend expenditures receive prior certification; however in instances where this is not practical, we recommend then and now certificates over \$3,000 be approved by resolution by legislative authority.

**FINDING NUMBER 2005-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Fire District's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Fire District. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fire District certify purchases to which section 5705.41(D) applies. 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 Fire District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2005-002**

**Reportable Condition**

Ohio Admin. Code Section 117-2-02(D) states, in part, "All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns."

The Fire District did not maintain receipt and appropriation ledgers during 2005 and 2004. The Fire District did begin keeping an expenditure ledger however it did not contain budgetary appropriation information. Failure to maintain these ledgers makes it difficult to monitor budgetary status throughout the year. Receipt and appropriation ledgers provide for ongoing comparisons of actual receipts versus estimated receipts and budgetary expenditures versus appropriations at the legal level of control. We recommend that the Fire District maintain receipt and appropriation ledgers.

Additionally monthly bank reconciliations were not presented for audit, however the bank balance did reconcile with the cash book balance at year end, after correction of an error in the cash book. The Clerk was checking off checks that cleared the bank and reporting in the minutes what checks had not cleared, however no reconciliation of the bank balance to the cash book balance was performed, which allowed an error in the cash book to go undetected. Monthly reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as ensure that all recorded transactions have been deposited with the financial institution. We recommend the clerk perform monthly bank reconciliations and provide them to the Board for review.

**FINDING NUMBER 2005-003**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2004, the Fire District had expenditures (\$65,454) in excess of appropriations (\$61,090) in the General Fund of \$4,364. Not appropriating funds prior to disbursement could result in negative fund balances. We recommend the District appropriate all funds prior to disbursement.

We did not receive a response from Officials to the findings reported above.

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**WINCHESTER COMMUNITY FIRE DISTRICT  
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Noncompliance citation of Ohio Rev. Code, Section 5705.41(D), Fire District did not certify the availability of funds.	No	Not Corrected – Reissued as Finding #2005-001 in current audit report
2003-002	Reportable Condition on maintaining receipt and appropriation ledgers and monthly cash reconciliations	No	Partially corrected – Reissued as Finding #2005-002





**Auditor of State  
Betty Montgomery**

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**WINCHESTER COMMUNITY FIRE DISTRICT**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2006**