



**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007-2006**



**Mary Taylor, CPA**  
Auditor of State



**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance – General Fund For the Years Ended December 31, 2007 and 2006 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Central Townships Joint Fire District  
Madison County  
9270 Danville Road SE  
London, Ohio 43140

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 3, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Central Townships Joint Fire District  
Madison County  
9270 Danville Road SE  
London, Ohio 43140

To the Board of Trustees:

We have audited the accompanying financial statement of Central Townships Joint Fire District, Madison County, Ohio (the District) as of and for the years ended December 31, 2007 and 2006. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the sixth paragraph, 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 District has prepared this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statement. The District has elected not to follow GAAP statement formatting requirements. 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 statement referred to above for the years ended December 31, 2007 and 2006 does 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, 2007 and 2006, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of salaries in the accompanying financial statement comprising 15% of the cash disbursements for 2007 and 6% for 2006, nor were we able to satisfy ourselves as to determine the validity of the salaries by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the salaries for 2007 and 2006 the financial statement referred to in the first paragraph above present fairly, in all material respects, the financial position of Central Townships Joint Fire District, Madison County, Ohio as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, the District changed from a governmental not-for-profit corporation to a taxing authority.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008 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.



**Mary Taylor, CPA**  
Auditor of State

November 3, 2008



**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2,007	2,006
Cash Receipts:		
Charges for Services	\$ 103,392	\$ 195,413
Earnings on Investments	5,794	10,799
Miscellaneous	66,085	493
Total Cash Receipts	175,271	207,840
Cash Disbursements:		
Current Disbursements:		
Security of Persons and Property:		
Salaries	15,704	23,844
Fuel/Utilities	21,335	19,623
Materials and Supplies	31,508	34,336
Equipment	7,335	261,376
Other	26,368	36,228
Total Cash Disbursements	102,250	375,802
Total Receipts Over/(Under) Disbursements	73,021	(167,962)
Other Financing Receipts:		
Sale of Fixed Assets	5,000	-
Total Other Financing Receipts	5,000	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	78,021	(167,962)
Cash Balance, January 1	172,163	340,125
Cash Balance, December 31	\$ 250,184	\$ 172,163

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

**This page intentionally left blank.**

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2007 AND 2006**

**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 Central Townships Joint Fire District, Madison County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. The District is made up of five participating townships, Deercreek, Monroe, Oak Run, Paint and Union. Each township within the District appoints one member to the Board. The District provides fire protection, by contract, to participating Townships.

The District was previously a government not-for-profit corporation formally known as Central Township Fire Department until June 1, 2007. At which time the Board passed a resolution changing the Department from a not-for-profit to a tax authority and filed the necessary changes with the Ohio Secretary of State.

The District receives the majority of its revenue from contracts with the participating townships and one additional township, Somerford Township. The participating townships pay the District eight tenths of one mill times the total valuation of said township, while the non-participating township pays the District one and two tenths mills times the total valuation of said township.

The District has two fire stations, located in Deercreek and Paint Townships. The District pays each township \$500 annually for the use of each fire station. The fire stations are operated by volunteers along with a Fire Chief and Assistant Fire Chief.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

**B. Accounting Basis**

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Budgetary Process**

Although not legally required, the District adopts a budget. The budget includes estimated resources and expenditures for the General Fund. The District adopts an annual appropriation resolution, which is the District's authorization to spend resources and sets annual limits on expenditures. The District does not follow the encumbrance method of accounting.

As of June 1, 2007 the District became a tax authority, at which time the District was required to follow the budgetary requirements of Ohio Revised Code Section 5705.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Property, Plant, and Equipment**

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

**2. Equity in Pooled Cash**

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2007	2006
Demand deposits	\$250,184	\$172,163

**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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,300	\$180,271	\$67,971

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,500	\$102,250	\$65,250

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$212,413	\$207,840	(\$4,573)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$463,236	\$375,802	\$87,434

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Retirement Systems**

The Ohio Public Employees Retirement System of Ohio (OPERS) determined on January 14, 1992, that the previously established Central Township Fire Department is a private non-profit fire company providing services on a contractual basis and is not a "public employer" as defined by the Ohio Revised Code Section 145.01(A) and (B). The Department's employees consisted of the Fire Chief, Assistant Fire Chief and Clerk are not "public employees": and are not eligible to be contributing members in OPERS.

The employees of the Central Township Fire Department contributed 6.2% of their gross salaries to Social Security. The District contributed an amount equal to 6.2% of the employees' gross salaries through December 31, 2006.

Effective June 1, 2007, the Board established itself as the Central Townships Joint Fire District. At this time, the District was no longer deemed a private, non-profit company, but a taxing authority. The District's firefighters and employees were eligible to contribute to the appropriate retirement systems.

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 OP&F participants contributed 10% of their wages. For 2007 the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2007 OPERS members contributed 9.5%, of their gross salaries and the District contributed an amount equaling 13.85% of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**5. Risk Management**

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Risk Management (Continued)**

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**6. Subsequent Event**

In April 2008, the District hired a new full time fire chief, part time Assistant Fire Chief, and began employing part time fire fighters.



# 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*

Central Townships Joint Fire District  
Madison County  
9270 Danville Road SE  
London, Ohio 43140

To the District Board of Trustees:

We have audited the financial statement of the Central Townships Joint Fire District, Madison County, Ohio (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 3, 2008, 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 qualified our report because we were unable to obtain sufficient competent evidence to support the completeness of salaries in the accompanying financial statement. We also noted the District became a taxing authority as of June 1, 2007. 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 deficiencies.

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 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 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: 2007-001 through 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the 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. However, we believe findings number 2007-001 and 2007-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated November 3, 2008.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 3, 2008.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

November 3, 2008



**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-001**

**Lack of Supporting Documentation and Controls over Payroll Transactions – Significant Deficiency / Material Weakness**

The District employs approximately 40 volunteer firefighters. Volunteers are paid on a per run basis once every six months. Volunteers who participated on a run are marked off on the incident run report form as present by the senior Volunteer on duty. Run totals are then tabulated every six months by the Fire Chief and presented to the Fiscal Officer for payment. No signatures were required over the payroll supporting documentation.

Re-performance of the Districts payroll procedures resulted in errors in run totals used for calculating payment. Some of the errors noted above were due to source documentation not being maintained by the District to support payments made. However, the majority of the errors noted were because the incident run report did not agree to the Fiscal Officer support, nor the Association's worksheet, for which the payroll expenditures were based on. In addition, inadequate control procedures were noted. Supervisors were not signing off on all incident run reports and no approval was documented on the payroll worksheets provided to the Fiscal Officer for payment. Failure to implement controls and maintain supporting documentation over payroll could result in over and/or under payment of the District firefighters. This resulted in the inability of the District to support the salaries reported on the financial statement and the District receiving a qualified opinion over payroll transactions.

We recommend the District implement proper controls over the payroll procedures and maintain all supporting source documentation. We also recommend the District's Fiscal Officer enroll and contribute to OPERS as required by Ohio Rev. Code Section 145 unless the employee chooses to pay into Social Security and files a written request with the OPERS Board.

**Officials' Response:**

All firefighters now use time cards and we have also purchased two time clocks. One time clock for each fire house. Hours are added up from each timecard and reviewed and signed by the Fire Chief and Fiscal Officer. Employee signatures are also required upon receipt of paycheck.

The District also maintains individual quarterly withholding reports for federal, state, and local taxes. Federal taxes including social security and medicare are deposited at our local bank.

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2007-002**

**Bank Reconciliation – Significant Deficiency/Material Weakness**

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be adjusted at the time the item or error is discovered and the discrepancy is resolved.

The District did not perform any bank to book reconciliations for the fiscal year 2007. The District was also unable to reconcile the bank to book balance at fiscal year end 2007. During our testing we noted the District had not posted a deposit, in the amount of \$63,000, to their accounting records. The District's financial statements and accounting records have been adjusted to include this deposit. Unreconciled bank to book balances in addition to uncorrected reconciling items could lead to misstated bank and/or book balances and possible theft or errors without the timely detection by management.

We recommend the District take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority.

**Officials' Response:**

We did not receive a response from Officials for this finding.



**Mary Taylor, CPA**  
Auditor of State

**CENTRAL TOWNSHIPS JOINT FIRE DISTRICT**

**MADISON 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 29, 2009**