

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**



Dave Yost • Auditor of State

Board of Trustees
First Consolidated Fire District
P.O. Box 305
Caledonia, Ohio 43314

We have reviewed the *Independent Auditors' Report* of the First Consolidated Fire District, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2010 through December 31, 2011. 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 First Consolidated Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 4, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
First Consolidated Fire District
Marion County

We have audited the accompanying financial statements of First Consolidated Fire District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2011 and 2010. 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 audits.

We conducted our audits 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 audits 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 audits provide 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.

Instead of the combined funds the accompanying financial statements present for 2011 and 2010, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately for 2011 and 2010. 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, 2011 and 2010 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, 2011 and 2010, 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 First Consolidated Fire District, Marion County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, during 2011, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012 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 audits.



Certified Public Accountants

August 23, 2012

**FIRST CONSOLIDATED 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, 2011

	General	Special Revenue	Total Memorandum Only
CASH RECEIPTS:-			
Local taxes	\$ 850,239	\$ 0	\$ 850,239
Charges for services	0	148,363	148,363
Fines, licenses, and permits	0	0	0
Intergovernmental	44,692	1,405	46,097
Earnings on investments	592	0	592
Other revenue	16,579	0	16,579
Total cash receipts	912,102	149,768	1,061,870
CASH DISBURSEMENTS:-			
Current:-			
General government	954,034	0	954,034
Public safety	0	26,429	26,429
Capital outlay	268,880	0	268,880
Debt Service:-			
Principal retirement	75,977	0	75,977
Interest and fiscal charges	24,000	0	24,000
Total cash disbursements	1,322,891	26,429	1,349,320
Total cash receipts over (under) disbursements	(410,789)	123,339	(287,450)
OTHER FINANCING RECEIPTS AND DISBURSEMENTS:-			
Sale of notes	218,112	0	218,112
Other financing sources	0	0	0
Other financing uses	(154)	0	(154)
Total other financing receipts (disbursements)	217,958	0	217,958
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing receipts and disbursements	(192,831)	123,339	(69,492)
Fund cash balances, January 1, 2011	416,326	237,400	653,726
Fund cash balances, December 31, 2011			
Restricted	\$ 0	\$ 358,739	\$ 358,739
Assigned	2,377	2,000	4,377
Unassigned	221,118	0	221,118
Fund cash balances, December 31, 2011	\$ 223,495	\$ 360,739	\$ 584,234

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

**FIRST CONSOLIDATED 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, 2010

	General	Special Revenue	Total Memorandum Only
CASH RECEIPTS:-			
Local taxes	\$ 912,130	\$ 0	\$ 912,130
Charges for services	0	148,715	148,715
Intergovernmental	109,912	0	109,912
Earnings on investments	838	0	838
Other revenue	31,445	95	31,540
Total cash receipts	1,054,325	148,810	1,203,135
CASH DISBURSEMENTS:-			
Current:-			
General government	1,017,838	0	1,017,838
Public safety	0	36,449	36,449
Capital outlay	685,352	517	685,869
Total cash disbursements	1,703,190	36,966	1,740,156
Total cash receipts over (under) disbursements	(648,865)	111,844	(537,021)
OTHER FINANCING RECEIPTS AND DISBURSEMENTS:-			
Sale of notes	600,000	0	600,000
Other financing sources	0	0	0
Other financing uses	(26,842)	0	(26,842)
Total other financing receipts (disbursements)	573,158	0	573,158
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(75,707)	111,844	36,137
Fund cash balances, January 1, 2010	492,033	125,556	617,589
Fund cash balances, December 31, 2010	\$ 416,326	\$ 237,400	\$ 653,726
Reserve for encumbrances, December 31, 2010	\$ 6,151	\$ 1,888	\$ 8,039

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

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - First Consolidated 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 five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Village of Caledonia, and the Townships of Canaan, Claridon, Scott, and Tully. 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 of Ohio, 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 of Ohio.

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.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Ambulance and Emergency Medical Service Fund

This fund receives money for the ambulance or emergency medical services provided by the District and should be expended to support the costs of the management, maintenance, and operation of the emergency medical services in the District.

Budgetary Process - The Ohio Revised Code requires that the District budget 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. Unencumbered appropriations lapse at year-end.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Budgetary Process - (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 carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

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.

Fund Balance - Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications area as follows:

Non-spendable

The District classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

Commissioners can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund assigned amounts represent intended uses established by the District's Board, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Fund Balance – (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the District’s basis of accounting.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE:-

For fiscal year 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the District’s funds.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

		<u>2011</u>		<u>2010</u>
Demand Deposits	\$	518,779	\$	383,364
Star Ohio		<u>65,455</u>		<u>270,362</u>
Total deposits	\$	<u>584,234</u>	\$	<u>653,726</u>

Demand 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 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.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 4 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2011 was as follows:-

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 673,328	\$ 1,130,214	\$ 456,886
Special revenue	<u>113,400</u>	<u>149,768</u>	<u>36,368</u>
Total	\$ <u><u>786,728</u></u>	\$ <u><u>1,279,982</u></u>	\$ <u><u>493,254</u></u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,390,415	\$ 1,325,422	\$ 64,993
Special revenue	<u>63,587</u>	<u>28,429</u>	<u>35,158</u>
Total	\$ <u><u>1,454,002</u></u>	\$ <u><u>1,353,851</u></u>	\$ <u><u>100,151</u></u>

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 4 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2010 was as follows:-

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,550,921	\$ 1,654,325	\$ 103,404
Special revenue	<u>120,000</u>	<u>148,810</u>	<u>28,810</u>
Total	\$ <u>1,670,921</u>	\$ <u>1,803,135</u>	\$ <u>132,214</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,056,958	\$ 1,736,183	\$ 320,775
Special revenue	<u>163,556</u>	<u>38,854</u>	<u>124,702</u>
Total	\$ <u>2,220,514</u>	\$ <u>1,775,037</u>	\$ <u>445,477</u>

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 5 - PROPERTY TAX:-

Real property taxes become a lien on January 1 proceeding 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 Marion 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 Marion 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.

Tangible personal property tax is being phased out.

NOTE 6 - DEBT:-

Debt outstanding at December 31, 2011 was as follows:

	Rate	Principal Balance 2011
Fire Truck Bonds	4.00%	\$ 524,023
Medic Vehicle Bonds	4.00%	218,112
Total deposits		\$ 742,135

During 2010, the District issued securities in the form of bonds for the purchase of a fire truck under the provisions of Section 505.37 of the Ohio Revised Code. The District passed a 1.00% continuous property tax levy at the election held on May 5, 2009 with the intent to use the tax collection proceeds to pay the debt service on the bonds. The bonds were purchased by a financial institution under the terms of annual principal and interest payments of \$99,977 at an interest rate of 4% per annum with a maturity date of September 1, 2017. These bonds are callable for redemption prior to the date of maturity at the option of the District.

During 2011, the District issued securities in the form of bonds for the purchase of a medic vehicle under the provisions of Treasury Regulations § 1.148-1 issued under the Internal Revenue Code of 1986. The bonds were purchased by a financial institution under the terms of annual principal and interest payments of \$49,000 at an interest rate of 4% per annum with a maturity date of April 1, 2016. These bonds are callable for redemption prior to the date of maturity at the option of the District.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 6 - DEBT:- (continued)

Transactions for the years ended December 31, 2010 and 2011 are summarized as follows:

	Balance at December 31, 2010	Proceeds	Payments	Balance at December 31, 2011
Fire Truck Bonds	\$ 600,000	\$ 0	\$ 75,977	\$ 524,023
Medic Vehicle Bonds	0	218,112	0	218,112
Total	\$ 600,000	\$ 218,112	\$ 75,977	\$ 742,135

	Balance at December 31, 2009	Proceeds	Payments	Balance at December 31, 2010
Fire Truck Bonds	\$ 0	\$ 600,000	\$ 0	\$ 600,000
Total	\$ 0	\$ 600,000	\$ 0	\$ 600,000

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

Fire Truck Bonds		Medic Vehicle Bonds		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 78,959	\$ 21,018	\$ 40,252	\$ 8,748	\$ 119,211	\$ 29,766
82,175	17,802	41,886	7,114	124,061	24,916
85,461	14,516	43,561	5,439	129,022	19,955
88,880	11,097	45,303	3,697	134,183	14,794
92,415	7,563	47,110	1,890	139,525	9,453
96,133	3,845	0	0	96,133	3,845
\$ 524,023	\$ 75,841	\$ 218,112	\$ 26,888	\$ 742,135	\$ 102,729

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 7 - OPERATING LEASES:-

In June 2009, the District entered into a sixty month lease for a copying machine. This lease requires a monthly payment of \$156 with fees for excess copies. Lease expense under this operating lease for the years ended December 31, 2011 and 2010 amounted to \$2,992 and \$2,420, respectively.

Future minimum lease payments for this non-cancellable lease at December 31, 2011 are as follows:

2012	\$		1,872
2013			1,872
2014			936
	\$		4,680

NOTE 8 - RETIREMENT SYSTEMS:-

The District’s full-time fire fighters belong to the Ohio 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 plan. These plans provide 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. For 2011 and 2010, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. During 2011 and 2010, OPERS members contributed 10% of their gross salaries. The District contributed an amount equal to 14% of participants’ gross salaries for 2011 and 2010. The District has paid all contributions required through December 31, 2011.

NOTE 9 - RISK POOL MANAGEMENT:-

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful Acts
- Crime
- Inland marine
- Electronic Data Processing Management Liability

NOTE 10 - SUBSEQUENT EVENT:-

The District evaluated subsequent events through August 23, 2012, the date which the financial statements were available to be issued.



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
First Consolidated Fire District
Marion County

We have audited the accompanying financial statements of the First Consolidated Fire District, Marion County, (the District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 23, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the First Consolidated Fire District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a significant deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement will not be prevented, or detected and timely corrected.

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 or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above, item 2011-001 and 2011-002. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control as item 2011-003 and 2011-004. A *significant deficiency*, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated August 23, 2012.

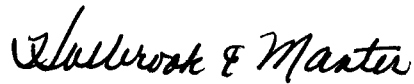
Compliance and Other Matters

As part of reasonably assuring whether First Consolidated Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-005 and 2011-006.

We noted certain matters that we reported to management of First Consolidated Fire District in a separate letter dated August 23, 2012.

First Consolidated Fire District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit First Consolidated Fire District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

August 23, 2012

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

Finding Number	2011-001
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Material Weakness – Posting Errors

During revenue and expenditure testing, we noted instances of revenues and expenditures, including payroll that were not recorded to the proper fund nor were they recorded in a timely manner. Also, several line items were not consistently classified from year to year.

The proper posting of revenues and expenditures are essential to ensure that funds are not over drawn and to ensure that the budget process is working properly and is a useful tool for management.

Procedures should be adopted to ensure that the District posts revenues and expenditures, including payroll timely and to the proper accounts during the year. We also recommend a more in depth review of the daily postings to help prevent some of these errors from occurring. The District should verify that the report is mathematically accurate and it is in agreement with all of the District’s detail. The District should 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 District is aware of these posting errors and plan to correct them moving forward. A new Fiscal Officer took over during 2012 with experience in UAN, which should help to prevent some of the posting errors in the future.

Finding Number	2011-002
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Material Weakness – Maintenance and Review of Time Sheets and Accumulated Time off

During our audit, we noted that the District was lacking supervision and review of employee time cards, including accumulated time off. All time cards should be reviewed by the chief or those appointed by the board responsible for the review process and recalculated to ensure that time and totals are accurate and agree to master files for accumulation of vacation, sick and comp time. We noted instances where time sheets did not match master time sheet schedules kept by the fiscal officer or the chief.

In these instances, we recommend to the District that corrections of the errors be made to the time off schedules to properly get them up to date. We also recommend that the files not included as part of the audit be reviewed to verify no errors occurred that should be corrected.

Moving forward, we recommend proper maintenance of the files be maintained in the future and a system be implemented for review of the accumulated time off log and worksheet each month.

Officials’ Response

The District has reviewed all accumulated time off logs and has proposed any necessary changes as required coming out of their review to the employees affected and plan to submit to the board for their approval at the next meeting. The District also plans to maintain more precise records for tracking and review of the time sheets and accumulated time off logs.

Subsequent to year end, a review of the accumulated time off for all employees was performed to determine the accuracy and all necessary adjustments have been made for any errors noted during the review by the Chief.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

Finding Number	2011-003
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Significant Deficiency – EMS Billing Review Procedures

During the prior audit period, management chose to transition to a new EMS billing company. The EMS billing company now administers the billing, however all payments are received at the District level and reported to the third party billing company for them to properly adjust the individuals accounts. With the change in this billing and collection procedure, we noted that no formal review process on a monthly basis is being completed at the District level of the outstanding amounts with the third party billing company verses collections and write off's that are occurring within their location and being reported to the third party billing company on a monthly basis.

We recommend that a more formal procedure be implemented moving forward to properly review, among other things, the EMS runs that are being sent to the third party billing company, review of the outstanding amounts at month end after all collections and write offs for that month are properly posted, and verification of all revenue being collected at the District level is properly being accounted for and the appropriate form is being submitted to the third party billing company for the account to be credited.

Officials' Response

The District is now aware of the changes to the EMS billing and collections and intends on implementing procedures to assist with verification on a monthly basis of the amounts collected and reported to the third party billing company.

Finding Number	2011-004
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Significant Deficiency – 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 Board of Trustees are reviewing the numerical check sequence prior to signing the checks, however they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdrawals.

The District should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, among other things, the trustees' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the trustees' thoroughly reviewed and approved those documents. In addition, we also recommend that a review policy be set and adhered to by the Board each month and be noted in the minutes that such procedures were completed.

Officials' Response

The Fiscal Officer will continue to provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting, however the Trustee's complete a more detailed review of the financial information. The District will also document and approve the review of those reports and procedures performed within the monthly minutes.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

Finding Number	2011-005
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Non Compliance Citation – Amending Certificates of Estimated Resources

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Clerk that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Fiscal Officer did not amend estimated resources as outlined above. We recommend that the Fiscal Officer monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials' Response

The District is aware of the issue and will monitor moving forward with the Fiscal Officers assistance. They will then have the Fiscal Officer properly amend the Estimated Resources when deemed necessary and submit the approved updated copy to the County for their formal approval.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

Finding Number	2011-006
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Noncompliance Citation – Prior Certification of Expenditures

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money unless a 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 encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, the Board obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The Board by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures, there were instances in which funds were obligated without prior or any certification. There was no evidence of subsequent resolutions authorizing payment for such obligations. Expenditures without prior certification could result in expenditures exceeding appropriations, although, no such instances were noted. We recommend that a purchase order be completed before all expenditures are initiated and that they be dated when completed to certify that the monies are available at that time. Alternatively, the District might consider using then and now certificates or blanket certificates, allowed by the O.R.C. for expenditures meeting certain criteria.

We recommend that the District implement a policy and procedure for contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or “Then and Now” certificates where applicable.

Officials’ Response

The District is aware of the requirement to certify all expenditures prior to the purchase taking place. The Fiscal Officer will monitor the purchase order process and implement “Then and Now” Certificates when necessary, otherwise ensure all purchase orders are completed timely.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Significant Deficiency - Internal Control and Review Procedures	No	Trustees have implemented certain procedures, however a more detailed review of the supporting documentation should be done on a monthly basis and internal control procedures should be officially documented and accepted by the Board of Trustees. Reissued as finding 2011-004.
2009-002	Significant Deficiency - EMS Billing Review Procedures	No	The fiscal officer has implemented certain procedures to reconcile billing revenues to third-party billing revenue reports, but monthly reports were not fully completed and implementation began in October 2011. Reports were not finished nor reviewed by the Fire Chief. Formal documentation of the entire process should occur. Reissued as finding 2011-003.
2009-003	Noncompliance Citation - Expenditures Exceed Appropriations	Yes	Finding No Longer Valid.
2009-004	Noncompliance Citation - Appropriations Exceeding Estimated Resources	Yes	Finding No Longer Valid.

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Dave Yost • Auditor of State

FIRST CONSOLIDATED 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
DECEMBER 18, 2012**