

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





# Dave Yost • Auditor of State

Board of Trustees  
Fort Morrow Consolidated Fire District  
306 North Main Street  
Waldo, Ohio 43356

We have reviewed the *Independent Auditors' Report* of the Fort Morrow 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 Fort Morrow Consolidated Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 13, 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Fort Morrow Consolidated Fire District  
Marion County

We have audited the accompanying financial statements of Fort Morrow 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 audit.

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.

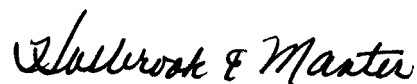
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balance of Fort Morrow 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*.

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 September 12, 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 audit.



Certified Public Accountants

September 12, 2012



**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <u>General Fund</u>
<b>CASH RECEIPTS:-</b>	
Property and other local taxes	\$ 323,388
Charges for services	42,774
Intergovernmental	5,369
Earnings on investments	309
Miscellaneous	<u>2,617</u>
<b>Total cash receipts</b>	374,457
<b>CASH DISBURSEMENTS:-</b>	
Current:-	
General government	64,263
Public safety	96,618
Capital outlay	36,645
Debt Service:-	
Redemption of principal	90,000
Interest and other fiscal charges	<u>87,784</u>
<b>Total cash disbursements</b>	<u>375,310</u>
<b>Total receipts over (under) cash disbursements</b>	( 853)
Fund cash balances, January 1, 2011	<u>564,480</u>
<b>Fund cash balances, December 31, 2011</b>	
Unassigned	<u>563,627</u>
<b>Fund cash balances, December 31, 2011</b>	<u><u>\$ 563,627</u></u>

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

**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

		<b>2010 General Fund</b>
<b>CASH RECEIPTS:-</b>		
Property and other local taxes	\$	346,719
Charges for services		42,930
Intergovernmental		14,848
Earnings on investments		485
Miscellaneous		6,927
<b>Total cash receipts</b>		411,909
<b>CASH DISBURSEMENTS:-</b>		
Current:-		
General government		51,957
Public safety		92,389
Capital outlay		230,974
Debt Service:-		
Redemption of principal		90,000
Interest and other fiscal charges		92,831
<b>Total cash disbursements</b>		558,151
Total receipts over (under) cash disbursements	(	146,242)
Fund cash balances, January 1		710,722
<b>Fund cash balances, December 31</b>	\$	564,480

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

**FORT MORROW 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** - Fort Morrow 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 four member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Marlboro Township, Richland Township, Waldo Township and the Village of Waldo. 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.

**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.

**Budgetary Process** - The Ohio Revised Code requires that the District budget each fund 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.

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

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

**FORT MORROW 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** - For December 31, 2011, the 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 are as follows:

Nonspendable

The District classifies assets as *nonspendable* 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

Trustees can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees 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 District Trustees or a District official delegated that authority by resolution, 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.

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.

**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 statement.

**NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE:-**

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.

**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**NOTE 3 - EQUITY IN POOLED CASH:-**

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>
<b>Deposits:-</b>		
Demand Deposits	\$ <u>563,627</u>	\$ <u>564,480</u>
<b>Total deposits</b>	<u>\$ 563,627</u>	<u>\$ 564,480</u>

**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.

**FORT MORROW 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	\$ <u>375,500</u>	\$ <u>374,457</u>	\$ ( <u>1,043</u> )
Total	\$ <u><u>375,500</u></u>	\$ <u><u>374,457</u></u>	\$ ( <u><u>1,043</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	\$ <u>506,700</u>	\$ <u>375,310</u>	\$ <u>131,390</u>
Total	\$ <u><u>506,700</u></u>	\$ <u><u>375,310</u></u>	\$ <u><u>131,390</u></u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2011 in the General Fund by \$1,043.

**FORT MORROW 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, 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	\$ <u>687,335</u>	\$ <u>411,909</u>	\$ ( <u>275,426</u> )
Total	\$ <u><u>687,335</u></u>	\$ <u><u>411,909</u></u>	\$ ( <u><u>275,426</u></u> )

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ <u>643,500</u>	\$ <u>558,151</u>	\$ <u>85,349</u>
Total	\$ <u><u>643,500</u></u>	\$ <u><u>558,151</u></u>	\$ <u><u>85,349</u></u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2010 in the General Fund by \$275,426.

**FORT MORROW 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 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to Delaware and 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Delaware and 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 is being phased out.

**NOTE 6 - RETIREMENT SYSTEMS:-**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS) or social security. OPERS 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 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 7 - RISK MANAGEMENT:-**

The District is exposed to various risks of property and casualty losses and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Prior to 2009, the District belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management



**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**NOTE 7 - RISK MANAGEMENT:-** (continued)

("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The District participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The District does not participate in this coverage.

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.

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

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 11,176,186	\$ 1,358,802
Liabilities	( 4,854,056)	( 1,055,096)	( 4,852,485)	( 1,253,617)
Members Equity	<u>\$ 7,182,485</u>	<u>\$ 300,035</u>	<u>\$ 6,323,701</u>	<u>\$ 105,185</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).

**NOTE 8 - DEBT:-**

In 2008, the District obtained acquisition bonds from Chase Bank for the construction of a new firehouse. The bond requires two payments annually due on April 1 and October 1 of each year. The District's first payment on this bond was on March 16, 2009 and the last payment is due on October 1, 2028.

Debt outstanding at December 31, 2011, was as follows:

<b><u>Debt Issued</u></b>	<b><u>Interest Rate</u></b>	<b><u>Original Issue Amount</u></b>	<b><u>Date of Maturity</u></b>
Firehouse Bonds	5.42%	\$ 1,800,000	October 1, 2028

**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**NOTE 8 - DEBT:-** (continued)

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

**Firehouse Bonds**

<b><u>Balance</u></b> <b><u>1/1/2010</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>12/31/2010</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
\$ 1,710,000	\$ 0	\$ ( 90,000)	\$ 1,620,000	\$ 90,000

**Firehouse Bonds**

<b><u>Balance</u></b> <b><u>1/1/2011</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>12/31/2011</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
\$ 1,620,000	\$ 0	\$ ( 90,000)	\$ 1,530,000	\$ 90,000

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

Year ending December 31:	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2012	\$ 90,000	\$ 81,707	\$ 171,707
2013	90,000	76,829	166,829
2014	90,000	71,951	161,951
2015	90,000	67,073	157,073
2016	90,000	62,195	152,195
2017 - 2021	450,000	237,805	687,805
2022 - 2026	450,000	115,855	565,855
2027 - 2028	180,000	12,196	192,196
<b>Total</b>	<b>\$ 1,530,000</b>	<b>\$ 725,611</b>	<b>\$ 2,255,611</b>

**NOTE 9 - LEASE AGREEMENT:-**

During 2008, the Fort Morrow Fire District Board signed a ground lease agreement with the Waldo Township Trustees. In exchange for the payment of \$1, the Owner agreed to lease the ground where the new fire station was constructed for a period of 25 years, beginning on June 1, 2008, and continuing until the same date in 2033, unless terminated earlier for any reason set forth in the lease. The sole purpose of this lease is to permit the Fort Morrow Fire District to construct and operate a fire station and community center on the property. Upon termination of this lease, whether by expiration of its term, or by any other reason permitted by the agreement, all structures, buildings, and other improvements placed on the real estate shall become the sole property of Owner, without any obligation on the part of Owner to reimburse District for any portion of District's expense in the construction, repair, or maintenance of those structures, buildings, and other improvements. During the term of the lease, the District agrees to pay all operating costs and impositions relating to the leased real estate.

**NOTE 10 - SUBSEQUENT EVENTS:-**

The District evaluated subsequent events through September 12, 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  
Fort Morrow Consolidated Fire District  
Marion County

We have audited the financial statements of Fort Morrow 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 September 12, 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 Fort Morrow Consolidated Fire District's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not 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 Fort Morrow Consolidated Fire District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider findings 2011-001 through 2011-004 described in the accompanying schedule of findings to be material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 12, 2012.


## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Morrow Consolidated Fire District's financial statement is free of material misstatement, we tested 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 through 2011-012.

We also noted certain matters that we reported to management of the District, in a separate letter dated September 12, 2012.

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

This report is intended solely for the information and use of the 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

September 12, 2012

**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-001</b>
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**Material Weakness - 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 not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank reconciliations to ensure completion on a monthly basis or the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The District should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the 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 the numerical check sequence be noted in the minutes and signed off of by the Board each month.

**Officials' Response**

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

<b>Finding Number</b>	<b>2011-002</b>
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**Material Weakness – Bank Reconciliations**

Monthly bank statement reconciliations were not performed timely during the audit period. By not timely reconciling monthly bank statements to the cashbook, the District cannot determine that all receipts and disbursements have been properly posted to the depository account or determine the District's true cash position.

We recommend that the Fiscal Officer reconcile the District's monthly bank statements to the cash book on a monthly basis, and the Board review the reconciliation each month.

**Officials' Response**

The District is aware of the above issue and is currently reviewing the procedures to prevent this condition from occurring in the future.

**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-003</b>
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**Material Weakness – Posting Errors and Timely Posting**

During revenue and expenditure testing, we noted instances of revenues and expenditures 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 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.

<b>Finding Number</b>	<b>2011-004</b>
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**Material Weakness – 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, and collections and write offs that are occurring within their location and being reported to the third party billing company on a monthly basis.

During the year, we noted various payments not properly deposited on a timely basis and reported back to the EMS billing company with proper documentation.

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 aware of the changes to the EMS billing and collections and have now changed the process to having the EMS billing company collect and deposit the monies into the District's account in a more timely basis.

**FORT MORROW CONSOLIDATED FIRE DISTRICT  
MARION COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2011-005</b>
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**Noncompliance Citation - Prior Certification of Funds**

Section 5705.41 (D), of the 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, for expenditures under \$3,000, the Board of Commissioners 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, very few expenditure tested were obligated with prior certification. Not having certification could result in expenditures exceeding appropriations. We recommend that a purchase order be completed before all expenditures are initiated. Also, during our testing, we noted there were some purchase orders that were not certified by the Fiscal Officer, others were not dated, and others did not have an amount on them. For certification to be complete, the Fiscal Officer must sign the dated purchase order certifying that the stated amounts are in fact available for the expenditure.

**Officials' Response**

The District is aware of the above issue and will keep up with printing and signing the purchase orders through the Auditor of State Prescribed Uniform Accounting Network (UAN) software to help prevent this condition from occurring in the future.

<b>Finding Number</b>	<b>2011-006</b>
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**Noncompliance Citation - Filing of Financial Reports**

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Also, the entity must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief financial officer.

During our testing, we noted that the district did not file annual reports timely with the Auditor of State for fiscal years ended December 31, 2011 and 2010.

We recommend the District file a cash basis financial report for each year in a timely manner as required by the Ohio Revised Code.

**Officials' Response**

The District is aware of the above issue and intends on properly monitoring the due date requirements in the future.

**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-007</b>
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**Noncompliance Citation - Public Records Policy**

Every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. They policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours.

By September 29, 2007, all public offices were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public. Any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value [Ohio Rev. Code §149.39] Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State's Office for final approval. A model policy is available at [www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government](http://www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government).

During our compliance testing, it was noted that the District had not implemented a public records policy or a records retention policy. We recommend that the above steps be taken to adopt the necessary formal policies and that they be posted where the public can see them.

**Officials' Response**

The District is aware of the above issue and will work to establish a policy.



**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-008</b>
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**Noncompliance Citation - Timely Deposit of Public Funds**

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

During the audit, we noted that deposits were not made timely based on the above Ohio Revised Code Section. We recommend that monies collected by the District be deposited on a more timely basis or request for the deposits to be direct deposited from the State and County levels.

**Officials' Response**

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

<b>Finding Number</b>	<b>2011-009</b>
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**Noncompliance Citation - Bonding of Public Officials**

Ohio Rev. Code 3.06 prescribes bonds for particular officials. During our audit, we noted that for the first half of 2010, the District did not carry bonding insurance for those individuals involved with the handling of cash. Bonding coverage protects an organization from a loss due to theft or embezzlement. We strongly recommend that the District contact its insurance agent and consider obtaining bonding insurance. Adequate bonding coverage is considered to be a critical element of a strong system of internal controls.

**Officials' Response**

The District was aware of this issue and subsequent to the end of the previous audit period, the District worked with their insurance provider and purchased bonds on the public officials involved with the handling of cash.

**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-010</b>
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**Noncompliance Citation - Amending or Supplementing Appropriations**

Ohio Revised Code, Section 5705.40, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another.

During our compliance testing procedures, we noted that the District created and amended supplemental appropriations internally, but did not certify the original or amended appropriations with the county budget commission. We recommend that the District submit all temporary and permanent appropriations to the county for approval.

**Officials' Response**

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

<b>Finding Number</b>	<b>2011-011</b>
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**Noncompliance Citation - Payroll Files**

Ohio Rev. Code Sections 145.01 and 145.48 describes definitions and rates of Ohio Public Employees Retirement Systems contributions. Also, Internal Revenue Code (IRC) Chapter 26, Collection of Income Tax at Source on Wages, states that the government is to withhold federal, state, and local income and employment-related taxes (such as Medicare). It also requires the government to report those tax matters to the appropriate tax authorities and to the recipients.

During our payroll testing, we noted that certain tax forms are not being properly completed. Inappropriate completion of these forms could result in improper amounts being withheld and paid by the employee and or the District. We also noted that not all tax forms were being timely submitted to the appropriate tax authorities as required.

We recommend that these forms be reviewed more closely by the District officials to make sure the proper amounts are being reported, withheld and paid to the various entities such as the Internal Revenue Service, the Treasurer of State, and the Ohio Public Employees Retirement System and that the forms are being properly completed each year.

**Officials' Response**

The District is aware of the above issue and is working on procedures to prevent this from occurring in the future.

**FORT MORROW 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**

<b>Finding Number</b>	<b>2011-012</b>
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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 Officer's assistance. They will 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.

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2009-001	Material Weakness - Internal Control and Review Procedures.	No	Reissued as finding 2011-001.
2009-002	Material Weakness - Bank Reconciliations.	No	Reissued as finding 2011-002.
2009-003	Material Weakness - Internal Control Record Retention.	Yes	Finding No Longer Valid.
2009-004	Material Weakness - Voided Checks.	Yes	Finding No Longer Valid.
2009-005	Noncompliance Citation- Prior Certification of Funds	No	Reissued as finding 2011-005.
2009-006	Noncompliance Citation- Filing of Financial Reports	No	Reissued as finding 2011-006.
2009-007	Noncompliance Citation- Appropriations Exceeding Available Resources.	Yes	Finding No Longer Valid.
2009-008	Noncompliance Citation- Public Records Policy.	No	Reissued as finding 2011-007.
2009-009	Noncompliance Citation- Timely Deposit of Public Funds.	No	Reissued as finding 2011-008.
2009-010	Noncompliance Citation- Bonding of Public Officials.	No	Reissued as finding 2011-009.
2009-011	Noncompliance Citation- Board Minutes.	Yes	Finding No Longer Valid.
2009-012	Noncompliance Citation- Amending or Supplementing Appropriations	No	Reissued as finding 2011-010.
2009-013	Noncompliance Citation- Payroll Files	No	Reissued as finding 2011-011.



# Dave Yost • Auditor of State

**FORT MORROW CONSOLIDATED**

**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 20, 2012**