

***TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Tri-County Joint Fire District
P. O. Box 325
Mt. Sterling, Ohio 43143

We have reviewed the *Report of Independent Accountants* of the Tri-County Joint Fire District, Madison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Tri-County Joint Fire District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 19, 2009

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**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY
For the Years Ending December 31, 2008 and 2007**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Tri County Joint Fire District
Madison County
P.O. Box 325
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statements of the Tri County Joint Fire District, Madison County, Ohio, (the District) as and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. 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 permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, 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, 2008 and 2007, 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 fund cash balances of the Tri County Joint Fire District, Madison County, Ohio, as of December 31, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. 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 June 25, 2009, 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 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.

Charles E. Harris & Associates, Inc.

June 25, 2009

TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN GENERAL FUND
CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Receipts:		
Property and Other Local Taxes	\$ 276,376	\$ 262,090
Intergovernmental	70,692	24,371
Charges for Services	77,081	63,996
Donations	17,781	-
Earnings on Investments	4,529	8,639
Miscellaneous	698	3,048
Total Cash Receipts	<u>447,157</u>	<u>362,144</u>
Cash Disbursements:		
Current:		
Salaries and Benefits	134,962	126,933
Retirement	48,688	45,827
BWC	7,014	5,254
New Buildings and Equipment	603	160
Utilities	10,078	9,480
Tools and Equipment	46,464	24,064
Supplies	13,297	9,008
Repairs	18,045	24,975
Contracted Services	27,270	22,680
Insurance	29,067	34,560
Other	38,295	46,335
Total Cash Disbursements	<u>373,783</u>	<u>349,276</u>
Total Receipts Over (Under) Disbursements	73,374	12,868
Other Financing Sources/(Uses)		
Sale of Fixed Assets	<u>4,500</u>	<u>1,100</u>
Total Other Financing Sources/(Uses)	<u>4,500</u>	<u>1,100</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	77,874	13,968
Fund Cash Balances, January 1	<u>261,185</u>	<u>247,217</u>
Fund Cash Balances, December 31	<u>\$ 339,059</u>	<u>\$ 261,185</u>

See accompanying Notes to the Financial Statements.

TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Tri County Joint Fire District, Madison County, Ohio, (the District) as a body corporate and politic. 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 the Village of Mount Sterling and Pleasant Township, Madison County; Darby Township and Monroe Township, Pickaway County; and Madison Township, Fayette County.

The District became its own taxing authority by vote of the people as of January, 2003. Pleasant Township, the Village of Mt. Sterling and Darby Township are the three participating members affected by the tax levy. The District also receives tax monies from both Madison and Pickaway Counties. Pickaway County sends the District's tax monies to the Madison County Auditor for disbursement. Madison and Monroe Townships provide funding to meet the District's operating costs under the agreement which established the District. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes these financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

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

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. CASH AND INVESTMENTS

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its only fund into the following type:

Governmental Fund Types:

General Fund: The General Fund accounts for all financial resources except those required to be accounted for in another fund.

E. BUDGETARY PROCESS

The Ohio Revised Code requires the District to budget annually.

1. Estimated Resources

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

2. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. CASH AND INVESTMENTS

The District maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	<u>2007</u>	<u>2008</u>
Demand deposits	\$ 261,185	\$ 339,059

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

3. BUDGETARY ACTIVITY

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 359,512	\$ 451,657	\$ 92,145

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 475,000	\$ 373,783	\$ 101,217

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 367,675	\$ 363,244	\$ (4,431)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 445,000	\$ 349,276	\$ 95,724

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax owners assess that property. The property owners must file a tangible property list to the County by each April 30.

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

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

5. DEFINED BENEFIT PENSION PLAN

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 plans. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, members of OP&F contributed 10 percent of their wages to the OP&F. The District contributed an amount equal to 24 percent of their wages. OPERS member employees contributed 10 percent of their gross salaries. The District contributed an amount equal to 14 percent of participants' gross salaries.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The District also provides health insurance coverage to full-time employees through a private carrier. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

7. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

8. COMPONENT UNIT/RELATED PARTY

The Tri County Fire Fighters Association, Inc. (the "Association") is considered a component unit of the District. The Association is considered a component unit as it would be misleading not to disclose the relationship between the District and the Association. The District's Fire Chief is also the Treasurer of the Tri County Fire Fighters Association, Inc. He manages three outside accounts consisting of a savings account, general checking account and a fire run account. The fire run account consists of receipts from the District for volunteer fire pay. The District records this as contract services expenditures. The Association pays the volunteers for the fire runs which were participated in during the year. The other accounts consist of revenues from various fund raisers held by the Fire Fighters employed by the District.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tri County Joint Fire District
Madison County
P.O. Box 325
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statements of the Tri-County Joint Fire District, Madison County (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009, 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 Controls 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we have reported to management of the District in a separate letter dated June 30, 2009.

This report is intended solely for the information and use of the audit committee, management and the Board. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 25, 2009

TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

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

**FINDING NUMBER 2008-001
Significant Deficiency**

Fire Fighters Association

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data monitored may indirectly provide assurance as to the reliability of financial information and if it conforms to the users' expectations.

The District remits checks monthly to the Tri County Joint Fire Fighters Association Inc., (the Association) in which the Fire Chief is the Treasurer. The Fire Chief invoices the District monthly for fire runs performed by the volunteers of the Association. A separate account is maintained by the Association and the volunteer fire fighters are paid for their fire runs from this account. In addition, the Fire Chief requests reimbursement from the District for purchases made on its behalf from the Association's account.

The District receives invoices and run reports to support payments made to the Association. However, there are no monitoring controls in place by the District to ensure transactions being made on its behalf by the Association are being paid correctly (fire run compensation) and are for a proper public purpose.

We recommend the District pay the volunteer fire fighters directly, which would ensure proper payment to the volunteers for services rendered. Also, we recommend the District establish a policy regarding the reimbursement, if any, to the Tri County Joint Fire Fighters Association, Inc. for purchases made on the District's behalf.

Officials' Response:

The reimbursements from the District to the Association have been greatly reduced. The District has a credit card and most purchases are made with it. The only purchases that still have to be made by the Association and then reimbursed by the District are for any a credit card cannot be used for, and that we do not have an account with so the District can be billed. The board members are aware of this issue and approve of the way the Chief is making the purchases.

TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	<p>A separate account is maintained by the District's Firefighters Association and the volunteer fire fighters are paid for their fire runs from this account. In addition, the Fire Chief requests reimbursement from the District for purchases made on its behalf from the Association's account.</p> <p>There are no monitoring controls in place by the District to ensure transactions being made on its behalf by the Association are being paid correctly and are for a proper public purpose.</p>	NO	Repeated as finding # 2008-1.



Mary Taylor, CPA
Auditor of State

TRI-COUNTY JOINT FIRE DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2009**