



Mary Taylor, CPA
Auditor of State

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

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Mary Taylor, CPA
Auditor of State

District 2 Joint Fire District
Gallia County
P.O. Box 208
Gallipolis, Ohio 45631

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 1, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

District 2 Joint Fire District
Gallia County
P.O. Box 208
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statements of the District 2 Joint Fire District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008. 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.

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

As described more fully in Note 1, the District has prepared 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.

Instead of the funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the District's larger (i.e., major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require fire districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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 2009, or its changes in financial position for the years then ended.

The District did not maintain sufficient records, documents, or evidential matter to support the completeness of the 2009 and 2008 General Fund - Miscellaneous Receipts recorded as \$2,545 (4.5 percent of total receipts) and \$2,886 (7.4 percent of total receipts), respectively. In addition, we were unable to satisfy ourselves as to the completeness of these receipts by other auditing procedures.

Also, in our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting General Fund - Miscellaneous Receipts as discussed in the paragraph above, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District 2 Joint Fire District, Gallia County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 1, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 1, 2010

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General Fund</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$29,296		\$29,296
Intergovernmental	9,140		9,140
Miscellaneous	10,656		10,656
	<hr/>		
Total Cash Receipts	49,092	\$0	49,092
	<hr/>		
Cash Disbursements:			
Current:			
Security of Persons and Property:			
Utilities and Maintenance	18,840		18,840
Debt Service:	9,793		9,793
Principal Payments	10,660		10,660
Interest Payments	1,386		1,386
	<hr/>		
Total Cash Disbursements	40,679	0	40,679
	<hr/>		
Total Cash Receipts Over/(Under) Cash Disbursements	8,413	0	8,413
	<hr/>		
Other Financing Receipts (Disbursements):			
Other Debt Proceeds	7,300		7,300
	<hr/>		
Total Other Financing Receipts/(Disbursements)	7,300	0	7,300
	<hr/>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,713	0	15,713
	<hr/>		
Fund Cash Balances, January 1	14,344	(14,329)	15
	<hr/>		
Fund Cash Balances, December 31	<u>\$30,057</u>	<u>(\$14,329)</u>	<u>15,728</u>

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

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General Fund</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$25,018		\$25,018
Intergovernmental	8,587		8,587
Earnings on Investments	453		453
Miscellaneous	4,756		4,756
	<hr/>		
Total Cash Receipts	38,814	\$0	38,814
	<hr/>		
Cash Disbursements:			
Current:			
Security of Persons and Property:			
Security of Persons and Property:	19,292		19,292
Utilities and Maintenance	11,537		11,537
Capital Outlay		191,929	191,929
Debt Service:			
Principal Payments	9,918		9,918
Interest Payments	1,807		1,807
	<hr/>		
Total Cash Disbursements	42,554	191,929	234,483
	<hr/>		
Total Cash Receipts Over/(Under) Cash Disbursements	(3,740)	0	(3,740)
	<hr/>		
Fund Cash Balances, January 1	18,084	177,600	195,684
	<hr/>		
Fund Cash Balances, December 31	\$14,344	(\$14,329)	\$15
	<hr/> <hr/>		

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

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 District 2 Joint Fire District, Gallia County (the District), as a body corporate and politic. A four-member Board of Trustees governs the District. The Board consists of two Township Trustees representing Ohio and Guyan Townships respectively, appointed from the respective Township Boards, and three firefighters, elected by their fellow firefighters, for a two year term. The District provides fire protection and rescue services for Ohio and Guyan Townships.

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

B. Accounting Basis

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

C. Cash

The District had one primary, interest bearing checking account during the audit period.

D. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

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

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District's only Capital Project Fund was the result of the District receiving funds from the Gallia County Local Board of Education in 2007 for the express purpose of constructing a new fire station.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Cash

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$15,728	\$15

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,486	\$56,392	\$13,906
Capital Projects	0	0	0
Total	<u>\$42,486</u>	<u>\$56,392</u>	<u>\$13,906</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,594	\$40,679	(\$9,085)
Capital Projects	0	0	0
Total	<u>\$31,594</u>	<u>\$40,679</u>	<u>(\$9,085)</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,360	\$38,814	(\$11,546)
Capital Projects	0	0	0
Total	<u>\$50,360</u>	<u>\$38,814</u>	<u>(\$11,546)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,944	\$42,554	\$25,390
Capital Projects	159,600	191,929	(32,329)
Total	<u>\$227,544</u>	<u>\$234,483</u>	<u>(\$6,939)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$32,329 for the year ended December 31, 2008. Budgetary expenditures exceeded appropriation authority in the General Fund by \$9,085 for the year ended December 31, 2009. Also contrary to Ohio law, at December 31, 2009 and 2008, the Capital Project Fund had a cash deficit balance of \$14,329.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. 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

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Fire Truck Loan - 2009	\$7,011	5.25%
Fire Truck Loan - 2003	22,174	4.45%
Total	\$29,185	

The District obtained business loans to finance the purchase of a new fire truck in 2003 and 2009 respectively. The purchased trucks serve as collateral for the loans. All debt payments are made from the General Fund.

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

Year ending December 31:	Fire Truck Loan - 2003	Fire Truck Loan - 2009
2010	\$11,725	\$3,855
2011	11,725	3,534
Total	\$23,450	\$7,389

8. Risk Management

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

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

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Beginning in 2009, the District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Prior to that time, the District utilized a private insurer. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP.

PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$3,952.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2009	\$4,074

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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

District 2 Joint Fire District
Gallia County
P.O. Box 208
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of the District 2 Joint Fire District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 1, 2010, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report on the General Fund because the District did not maintain sufficient records, documents, or evidential matter to support the completeness of the 2009 and 2008 General Fund - Miscellaneous Receipts recorded as \$2,545 (4.5 percent of total receipts) and \$2,886 (7.4 percent of total receipts), respectively. In addition, we were unable to satisfy ourselves as to the completeness of these receipts by other auditing procedures. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of 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 have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 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 timely corrected. We consider finding 2009-001 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a 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 consider finding 2009-005 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-004.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 1, 2010.

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

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



Mary Taylor, CPA
Auditor of State

June 1, 2010

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 149.351(A)

Ohio Rev. Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During 2009, the District held a ticket raffle fundraiser to sell 250 tickets at \$40 a ticket. The District did not sell all of the tickets, maintain ticket accountability forms, or maintain unsold tickets. As a result, completeness assurance could not be obtained for 250 Raffle Ticket sales. Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period.

Additionally, during 2008, no supporting documentation or duplicate receipt signed by the payee was maintained for donations totaling \$2,886 of Miscellaneous Receipts; therefore, during 2008, 59% of Miscellaneous Receipts had no supporting documentation. During 2009, no supporting documentation or duplicate receipt signed by the payee was maintained for donations totaling \$2,545 of Miscellaneous Receipts; therefore, during 2009, 14% of Miscellaneous Receipts had no supporting documentation.

Regarding ticket sales, we recommend the District maintain all records for audit purposes. We further recommend the District use ticket accountability forms for all tickets issued. The ticket accountability forms should document the first ticket number sold, the last ticket number sold, total tickets sold, and money collected. The Fiscal Officer should record this information separately for each individual and business selling the tickets. Additionally, a separate person should verify the information recorded on the ticket accountability form. This reviewer should compare the number of tickets sold with the money collected to help assure the completeness of the receipts. The individual performing the verification and review of the ticket accountability forms should sign and date the forms indicating any variances noted. We further recommend the District issue the tickets sequentially to help provide some assurance as to the accuracy of the information recorded on the ticket accountability forms.

Regarding donations, we recommend the District establish control procedures that would allow them to determine the completeness and existence of revenues and require all supporting documentation to be maintained in order for the District to ensure that all receipts are accurate and appropriate. In addition, we recommend that duplicate receipts signed by the payee be maintained to support amounts received from donations.

Officials' Response: The District stated they will work on this procedure.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Noncompliance Citation - Ohio Revised Code Section 5705.41(B)

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2008, expenditures exceeded appropriations, as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Capital Project Fund	\$ 159,600	\$ 191,929	\$ (32,329)

At December 31, 2009, expenditures exceeded appropriations, as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund	\$ 31,594	\$ 40,679	\$ (9,085)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the District.

We recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted are required, the District should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: The District chose not to respond to this finding.

FINDING NUMBER 2009-003

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1)

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer certified none of the expenditures for 2009 or 2008 at the time the commitment and there was no evidence that the District followed the aforementioned exceptions.

The District did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify funds are or will be available prior to incurring an obligation. When prior certification is not possible, "then and now" certification should be used.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the District officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: The District will incorporate purchase order language.

FINDING NUMBER 2009-004

Noncompliance Citation - Ohio Rev. Code Section 5705.10(H)

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following District fund had negative fund balances:

<u>12/31/2009</u>		<u>12/31/2008</u>	
<u>Fund</u>	<u>Balance</u>	<u>Fund</u>	<u>Balance</u>
Capital Project Fund	(\$14,329)	Capital Project Fund	(\$14,329)

The District paid all expenditures relating to the building construction project from the Capital Project Fund even when resources were no longer sufficient to cover the expenditure. This resulted in negative fund balances.

We recommend the District transfer funds from the General Fund sufficient to eliminate the deficit Capital Projects Fund balance.

Officials' Response: The District chose not to respond to this finding.

FINDING NUMBER 2009-005

Significant Deficiency - Incorrect Budgetary Postings to System

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-005 (Continued)

Significant Deficiency - Incorrect Budgetary Postings to System (Continued)

At December 31, 2008, estimated resources as approved by the Budget Commission were not maintained in the Districts ledger for any fund. The certified appropriations as approved by the Board did not agree to the District's ledgers for the following funds:

<u>Fund</u>	<u>Certified Appropriations as Approved by Board</u>	<u>Amounts Per District's Ledgers</u>	<u>Variance</u>
General	\$67,944	\$38,271	\$29,672
Capital Projects	159,600	0	159,600

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2008, estimated resources as approved by the Budget Commission were not maintained in the Districts ledger for any Fund. The certified appropriations as approved by the Board did not agree to the District's ledgers for the following funds:

<u>Fund</u>	<u>Appropriations as Approved by Board</u>	<u>Per District's Ledgers</u>	<u>Variance</u>
General	\$67,944	\$38,271	\$29,672
Capital Projects	159,600	0	159,600

At December 31, 2009, estimated resources as approved by the Budget Commission were not maintained in the Districts ledger for any Fund. The certified appropriations as approved by the Board did not agree to the District's ledgers for the following funds:

<u>Fund</u>	<u>Appropriations as Approved by Board</u>	<u>Per District's Ledgers</u>	<u>Variance</u>
General	\$31,594	\$38,588	(\$6,994)

Due to budgetary information being improperly entered into the system, the management of the District was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the District accurately post to their accounting system estimated receipts as certified by the Budget Commission. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year. We also recommend the District accurately post to their accounting system appropriations.

Officials' Response: The District chose not to respond to this finding.

**DISTRICT 2 JOINT FIRE DISTRICT
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41 (D) – Expenditures were not properly encumbered.	No	Not Corrected. See Finding 2009-003.
2007-002	Ohio Rev. Code Section 5705.41(B)- expenditures exceeded appropriations.	No	Not Corrected. See Finding 2009-002.



Mary Taylor, CPA
Auditor of State

DISTRICT 2 JOINT FIRE DISTRICT

GALLIA 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
JUNE 15, 2010**