

Central Townships Joint Fire District
Madison County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

Fire District Board
Central Townships Joint Fire District
9270 Danville Road
London, Ohio 43140

We have reviewed the *Independent Accountants' Report* of the Central Townships Joint Fire District, Madison County, prepared by Millhuff-Stang, CPA, Inc., 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 Auditor's 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 Auditor's 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 Central Townships Joint Fire District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 28, 2012

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Central Townships Joint Fire District
Madison County
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For the Years Ended December 31, 2011 and 2010

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Independent Auditor's Report

Fire District Board
Central Townships Joint Fire District
9270 Danville Road
London, Ohio 43140

We have audited the accompanying financial statements of the Central Townships Joint Fire District, Madison County, (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 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. Those standards require that we plan and perform the audit 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 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.

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 governments 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Central Townships Joint Fire District
Madison County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the Central Townships Joint Fire District, Madison County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 7, during 2010 the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

September 28, 2012

Central Townships Joint Fire District
Madison County
Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balance
Governmental Fund Type
For the Years Ended December 31, 2011 and 2010

	General Fund	
	2011	2010
Cash Receipts:		
Property and Other Local Taxes	\$443,929	\$451,521
Charges for Services	1,796	0
Intergovernmental	74,309	67,454
Earnings on Investments	672	3,269
Miscellaneous	3,097	348
Total Cash Receipts	523,803	522,592
Cash Disbursements:		
Current Disbursements:		
Security of Persons and Property:		
Salaries	269,921	267,782
Benefits	56,764	58,464
Fuel and Utilities	41,172	36,290
Materials and Supplies	15,316	21,150
Equipment	71,991	73,936
Other	14,087	43,946
Capital Outlay	0	21,040
Total Cash Disbursements	469,251	522,608
Total Receipts Over (Under) Disbursements	54,552	(16)
Other Financing Receipts:		
Sale of Assets	10,654	0
Total Other Financing Receipts	10,654	0
Net Change in Fund Cash Balance	65,206	(16)
Fund Cash Balance, January 1	339,652	339,668
Fund Cash Balance, December 31:		
Unassigned	404,858	339,652
Fund Cash Balance, December 31	\$404,858	\$339,652

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

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Central Townships Joint Fire District, Madison County, (the District) as a body corporate and politic. A five-member Fire District Board governs the District. The District is made up of five participating townships: Deercreek, Monroe, Oak Run, Paint and Union. Each township within the District appoints one member to the Board. The District provides fire protection to participating townships.

The District receives revenue from contracts within the participating townships and one additional township, Somerford Township. The participating townships pay the District eight tenths of one mill times the total valuation of said township, while the nonparticipating township pays the District one and two tenths mills times the total valuation of said township. The District also receives revenue from a five levy (see note 4).

The District has two fire stations, located in Deercreek and Paint Townships. The fire stations are operated by a Fire Chief and Assistant Fire Chief as well as part-time firefighters.

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 accounting basis the Auditor of State of Ohio 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.

Cash

The District maintains its cash pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its fund in the following type:

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Fire District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not encumber all commitments required by Ohio law.

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

Fund Balances

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

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

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

Note 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:

	2011	2010
Demand Deposits	\$404,858	\$339,652

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 3 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$479,318	\$534,457	\$55,139

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$775,700	\$469,251	\$306,449

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$445,500	\$522,592	\$77,092

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$760,804	\$522,608	\$238,196

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 4 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Fire District Board 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. 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.

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. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory has been reduced to zero for 2010 and 2011.

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

Note 5 – Retirement Systems

The District's certified firefighters 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2011.

Many of the employees of the District are part-time or volunteer firefighters. These employees of the District contributed 6.2% of their gross salaries to Social Security (4.2% for 2011). The District contributed an amount equal to 6.2% of the employees' gross salaries through December 31, 2011

Note 6 – Risk Management

Prior to 2009, the District belonged to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, 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.

**Central Townships Joint Fire District
Madison County**

*Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010*

Note 6 – Risk Management (Continued)

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 (“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 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:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District has implemented for the year ended December 31, 2010. This pronouncement does not affect the calculation of the District's fund balance but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent (see note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2010 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The District has only a General Fund.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. 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.

The District is not currently party to any lawsuits.

Note 8 – Compliance

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

Note 9 – Subsequent Event

In May 2012, the District issued \$300,000 in fire truck acquisition bonds.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Fire District Board
Central Townships Joint Fire District
9270 Danville Road
London, Ohio 43140

We have audited the financial statements of the Central Townships Joint Fire District, Madison County, (the District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 28, 2012, wherein we noted the District followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2010, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financing reporting 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses and which are identified as items 2011-1, 2011-2, 2011-4, and 2011-5.

Central Townships Joint Fire District
Madison County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

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, 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* and which are described in the accompanying schedule of findings and responses as items 2011-3 and 2011-4.

We noted certain matters that we reported to management of the District in a separate letter dated September 28, 2012.

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

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

September 28, 2012

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-1

Material Weakness – Financial Reporting

Sound financial reporting is essential to ensure that information provided to the readers of the financial statements is complete and accurate. Accuracy and completeness of financial information is also imperative to ensure that decisions being made are based on adequate data.

Several misstatements and misclassifications were identified during the course of the audit. Several of these items required adjustment to the financial statements. Other items were deemed immaterial by both management and the auditor and correction was waived.

Lack or failure of controls over the recording of financial transactions and preparation of financial reports can result in errors or irregularities that may go undetected by management and decreases the reliability of financial information throughout the year.

The District should implement procedures to ensure that financial information is accurately and completely recorded and that financial reports are properly prepared.

District's Response:

We will try to improve.

Finding Number 2011-2

Material Weakness – Bank Reconciliations

Bank reconciliations should be performed each month to reconcile the District's accounting ledgers to bank balances. Additionally, the Fire District Board should review monthly bank reconciliations and bank statements and initial the reconciliations as evidence of their review.

Bank reconciliations were not performed during 2010 or 2011 and were not completed subsequent to fiscal year end.

Failure to perform and review reconciliations monthly limits management's ability to ensure transactions are properly recorded and may limit the usefulness of financial reports presented to the Board. Furthermore, without performing monthly bank reconciliations, errors or irregularities may occur and go undetected by management.

The District should implement procedures to ensure that monthly reconciliations of bank to book balances are performed. Reconciling items should be identified at the time of the reconciliation. Any unreconciled differences should be investigated by comparing transaction-level activity posted to the accounting ledgers with transaction-level activity reflected on the bank statement. In addition, the bank reconciliations, including original bank statements and documentation supporting any reconciling items, should be reviewed and approved by the Fire District Board.

District's Response:

We will try to improve.

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-3

Noncompliance Citation – Certificate of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Clerk is attached thereto. The Clerk 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.

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 Clerk can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk 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 Clerk 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 – The Clerk 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 Clerk 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 District issues regular purchase orders; however, some are issued on the same day or several days after when the disbursement is made for the purchase commitment. As a result, the District did not certify the availability of funds prior to the purchase commitment for 100% of disbursements tested. Failure to properly certify the availability of funds properly can result in overspending and negative cash fund 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, the Clerk should certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

District's Response:

We will try to improve.

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-4

Noncompliance Citation/Material Weakness – Accounting Records

Ohio Administrative Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The District's accounting records had several deficiencies, including 1) dates of receipts and disbursements were not properly recorded, 2) multiple receipts were recorded as a single receipt, 3) descriptions of receipts (who the money was received from and for what purpose) was not properly recorded, 4) receipt records were not completely maintained and available for inspection, 5) disbursements were not always accurately and completely recorded by date, check number, or amount and do not appear to have been timely recorded within accounting records, and 6) lack of formal documentation of remaining balances of budgeted figures.

Failure to properly maintain accurate ledgers and accounting records can lead to inaccurate reporting as well as misuse and loss of funds. The District should implement procedures to ensure it maintains an accounting system and accounting records sufficient to enable it to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code.

District's Response:

We will try to improve.

Finding Number 2011-5

Material Weakness – Maintenance of Supporting Documentation

Maintenance of supporting documentation is a pertinent internal control to support amounts reported in the financial statements. Supporting documentation could not be located for all disbursements although we were able to obtain reasonable assurance through other means for most items. However, the District purchased a vehicle with an affixed air compressor in 2010 for which no invoice was received. In addition, the District was unable to provide substantiating documentation of the purchase, including the title, although the auditor was able to physically observe the vehicle. We did note that the vehicle purchase was approved by the Board. Lack of sufficient supporting documentation results in an incomplete audit trail that is necessary to ensure the accuracy and completeness of financial statement amounts and that disbursements are for proper public purpose. The District should implement procedures to ensure that all disbursements are adequately supported and that supporting documentation is appropriately maintained. Furthermore, the District should take the necessary steps to ensure that the title of the purchased vehicle is properly obtained and processed.

District's Response:

We will try to improve.

Central Townships Joint Fire District
Madison CountyMadison County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2009-001	Ohio Revised Code 5705.41 (D)(1) Certification of Funds	No	Reissued as finding 2011-3
Finding 2009-002	Significant Deficiency Bank Reconciliation	No	Reissued as finding 2011-2
Finding 2009-003	Significant Deficiency Financial Reporting	No	Reissued as finding 2011-1

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Dave Yost • Auditor of State

CENTRAL TOWNSHIP 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
DECEMBER 11, 2012**