



**Auditor of State
Betty Montgomery**

MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Madison Jefferson Joint Fire District
Jackson County
P.O. Box 378
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of the Madison Jefferson Joint Fire District, Jackson County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002. 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 discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Madison Jefferson Joint Fire District, Jackson County, as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Madison Jefferson Joint Fire District
Jackson County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 28, 2004

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$98,111	\$	\$98,111
Intergovernmental Receipts	25,660	98,754	124,414
Charges for Services	21,845		21,845
Donations	25,285		25,285
Miscellaneous	11,105		11,105
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	182,006	98,754	280,760
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	59,908		59,908
General Government	21,116		21,116
Debt Services:			
Redemption of Principal	40,399		40,399
Interest	6,157		6,157
Capital Outlay	158,513	98,754	257,267
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	286,093	98,754	384,847
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(104,087)	0	(104,087)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Proceeds of Notes	108,000		108,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	108,000	0	108,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	3,913	0	3,913
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	112,240	0	112,240
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$116,153</u>	<u>\$0</u>	<u>\$116,153</u>

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

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

Cash Receipts:	
Taxes	\$106,875
Intergovernmental Receipts	18,157
Charges for Services	22,202
Miscellaneous	4,970
	152,204
Total Cash Receipts	
Cash Disbursements:	
Current:	
Security of Persons and Property	62,782
General Government	26,216
Debt Services:	
Redemption of Principal	15,631
Interest	3,974
Capital Outlay	126,622
	235,225
Total Cash Disbursements	
Total Cash Receipts Over/(Under) Cash Disbursements	
	(83,021)
Other Financing Receipts:	
Proceeds of Notes	112,000
	112,000
Total Other Financing Receipts	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	
	28,979
Fund Cash Balance, January 1	
	83,261
Fund Cash Balance, December 31	
	\$112,240

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

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Madison Jefferson Joint Fire District, Jackson County (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. Three Board members are appointed by the firefighters association, and one is appointed by each of the Townships which are members of the District. Those Townships are Madison and Jefferson Townships. 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 present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The District has one checking account and a certificate of deposit. The certificate of deposit is valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Federal Emergency Management (FEMA) Fund – This fund receives federal grant monies for the purpose of purchasing firefighting equipment.

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The 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 2003 and 2002 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.

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$99,153	\$95,240
Certificate of deposit	17,000	17,000
Total deposits	<u>\$116,153</u>	<u>\$112,240</u>

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

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$296,746	\$290,006	(\$6,740)
Special Revenue	98,754	98,754	0
Total	\$395,500	\$388,760	(\$6,740)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$261,716	\$286,093	(\$24,377)
Special Revenue	98,754	98,754	0
Total	\$360,470	\$384,847	(\$24,377)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,950	\$264,204	\$104,254

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,950	\$235,225	(\$75,275)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$24,377 and \$75,275 in the General Fund for the years ended December 31, 2003 and 2002, respectively. Contrary to Ohio law, the District did not certify the availability of funds prior to incurring any obligations or use "then and now" certificates.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Park Commissioners. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Note	\$179,601	3.00%

The District issued a general obligation note to finance the purchase of a new fire truck. The note was issued on January 24, 2003 in the amount of \$220,000 and matures on November 26, 2006. The note is collateralized solely by the fire truck.

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

	General Obligation Note
Year ending December 31:	
2004	\$63,048
2005	63,048
2006	62,583
Total	\$188,679

6. RETIREMENT SYSTEM

The District's Clerk belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2003 and 2002, members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all required contributions required through December 31, 2003.

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Madison Jefferson Joint Fire District
Jackson County
P.O. Box 378
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Jefferson Joint Fire District, Jackson County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 28, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 28, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 28, 2004

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Total disbursements exceeded total appropriations in the General Fund at December 31, 2002 and December 31, 2003 by \$75,275 (47%) and \$24,377 (9%), respectively.

We recommend the District Clerk deny payment requests exceeding appropriations. The District Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 (\$3,000 after April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The District Clerk's certification of the availability of funds was not completed for any of the disbursements during the audit period. Further, funds were not encumbered during the audit period.

We recommend the District Clerk certify the availability of funds prior to incurring any obligations or use Then and Now certificates when prior certification is not possible.

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003

Reportable Condition

An appropriation ledger was not maintained for 2002 or 2003. This resulted in a lack of detailed records for budgetary information.

Each Fire District should maintain an appropriation ledger which should contain a separate account for each type of appropriation. A separate sheet should be used in the ledger for each account, and the code prescribed for that account should be entered on the ledger sheet. The Fire District should post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s). Each expenditure or encumbrance charged against an appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order. The name of the vendor or payee, as it appears on the purchase order, is entered in the "Debit" column and also subtracted from the unencumbered balance. When the invoice is received from the vendor or payee and a warrant is written to meet the obligation, the name of the vendor or payee is again entered and the amount of the warrant is entered in the "Amount of Warrant" column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered in the "Debit" column (this is also the same amount subtracted from the unencumbered balance) is different from the amount of the warrant, an adjustment must be made. If the amount of the warrant is entered in the "Debit" column, the difference should be entered in the "Credit" column and added to the unencumbered balance column. If there is a standing order or if the invoice is to be paid at the time the purchase order is written, then the name of the vendor or payee is entered, and the amount to be paid is entered in the "Amount of Warrant" column, in the "Debit" column and subtracted from the encumbered balance. Appropriate columns should be totaled and reconciled monthly and year-to-date. The date, vendor or payee, warrant number, purchase order number and other information required should be entered in the appropriate column or space provided on the appropriation ledger.

We recommend the District Clerk maintain an appropriation ledger.

**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	Ohio Rev. Code Sections 4115.04 and 4115.05 – prevailing wage rates were not included in all contracts greater than \$15,000.	No.	Finding no longer valid.
2001-002	Ohio Rev. Code Section 5705.38 – appropriations were not passed.	Yes.	Fully Corrected.
2001-003	Ohio Rev. Code Section 5704.41 (B) – expenditures exceeded appropriations.	No.	Not Corrected. Reissued as Finding 2003-001.
2001-004	Ohio Rev. Code Section 5705.41 (D) – funds were not certified as available prior to a commitment.	No.	Not Corrected. Reissued as Finding 2003-002.
2001-005	Ohio Rev. Code Sections 505.37 to 505.42 – competitive bidding was not utilized for purchase of fire equipment, roof project, etc.	Yes.	Fully Corrected.
2001-006	Ohio Rev. Code Section 5705.36 – District did not certify to the County Auditor the total amount from all sources available for expenditure.	Yes.	Fully Corrected.
2001-007	An appropriation ledger was not maintained.	No.	Not Corrected. Reissued as Finding 2003-003.



**Auditor of State
Betty Montgomery**

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**MADISON JEFFERSON JOINT FIRE DISTRICT
JACKSON 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 9, 2004**