



**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005



Mary Taylor, CPA
Auditor of State

MADISON JOINT FIRE DISTRICT
LAKE COUNTY

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Mary Taylor, CPA

Auditor of State

Madison Joint Fire District
Lake County
33 North Lake Street, P.O. Box 338
Madison, Ohio 44057

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

February 25, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Joint Fire District
Lake County
33 North Lake Street, P.O. Box 338
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of the Madison Joint Fire District, Lake County, Ohio, (the District) as of and for the years ended December 31, 2006 and December 31, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

GAAP requires 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 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, 2006 and December 31, 2005 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, 2006 and December 31, 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Madison Joint Fire District, Lake County, Ohio, as of December 31, 2006 and December 31, 2005, and its 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 dated February 25, 2008, 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.

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

Mary Taylor, CPA
Auditor of State

February 25, 2008

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	General	General
	2006	2005
Cash Receipts:		
Local Taxes	\$1,495,459	\$1,445,540
Intergovernmental	179,893	315,348
Licenses, Permits and Fees	908	200
Earnings on Investments	34,235	40,397
Miscellaneous	18,304	32,510
Total Cash Receipts	1,728,799	1,833,995
Cash Disbursements:		
Current:		
Security of Persons and Property	1,452,449	1,503,491
Other	15,030	18,342
Capital Outlay	154,987	176,432
Total Disbursements	1,622,466	1,698,265
Total Receipts Over/(Under) Disbursements	106,333	135,730
Other Financing Receipts/(Disbursements):		
Sale of Fixed Assets	0	14,200
Total Other Financing Receipts/(Disbursements)	0	14,200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106,333	149,930
Fund Cash Balances, January 1	2,202,591	2,052,661
Fund Cash Balances, December 31	\$2,308,924	\$2,202,591

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

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**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Madison Joint Fire District, Lake County, (the District) as a body corporate and politic. A six-member Board of Trustees governs the District. Board members consist of the three Trustees from Madison Township and three Council Members from the Village of Madison. The District provides fire protection and rescue services for the communities of Madison Township and the Village of Madison.

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 the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash

The District had demand deposits for the audit period.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District uses only a General Fund.

General Fund

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

E. Budgetary Process

The Ohio Revised Code requires the District to budget the fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, and function 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. Encumbered appropriations lapse at year end.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District reserves (encumbers) appropriations for commitments. The reservation is accomplished through the Then and Now certification allowed under Ohio law. Unpaid commitments at year end are encumbered in the subsequent year appropriations.

A summary of 2006 and 2005 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CASH

The District did not have investments during the audit period. They maintain business checking accounts. The Ohio Revised Code prescribed allowable deposits. The carrying amount of cash at December 31 follows:

<u>2,006</u>	<u>2005</u>
<u>\$2,308,924</u>	<u>\$2,202,591</u>
<u>\$2,308,924</u>	<u>\$2,202,591</u>

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,824,462	\$1,728,799	(\$95,663)
Total	\$1,824,462	\$1,728,799	(\$95,663)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,823,134	\$1,622,466	\$200,668
Total	\$1,823,134	\$1,622,466	\$200,668

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,788,696	\$1,848,195	\$59,499
Total	\$1,788,696	\$1,848,195	\$59,499

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,788,696	\$1,698,265	\$90,431
Total	\$1,788,696	\$1,698,265	\$90,431

4. PROPERTY TAX

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

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

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

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

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. RETIREMENT SYSTEMS

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the District contributed to OP&F an amount equal to 24% of fire fighter members' wages. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

6 RISK MANAGEMENT

The Madison Joint Fire District has obtained commercial insurance for the following risks:

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

The District also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



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*

Madison Joint Fire District
Lake County
33 North Lake Street, P.O. Box 338
Madison, Ohio 44057

To the Board of Trustees:

We have audited the financial statements of the Madison Joint Fire District, Lake County, Ohio, (the District) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated February 25, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 25, 2008.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 25, 2008.

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 the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 25, 2008

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2006**

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

FINDING NUMBER 2006-001

Finding for Recovery

Ohio Rev. Code § 149.351 states that, "all records are the property of the public office concerned and shall not be moved, 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."

For fiscal years ended 2006 and 2005, the Clerk was unable to supply original supporting documentation for \$1,209.41 of expenditures from the petty cash fund. Petty cash should be used as an impress system, which is a system established for a fixed amount and is periodically reimbursed for the exact amount based on an original receipt necessary to bring it back to that fixed amount.

The failure to maintain adequate support for expenditures could result in a loss of accountability over the District's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jacklyn Reznak, Clerk, and American Alternative Insurance Corp., her bonding company, jointly and severally, in the amount of \$1,209.41 and in favor of the Madison Joint Fire District.

We recommend the District establish a policy for the proper use of the petty cash fund. The policy should require the use of petty cash vouchers and should state that petty cash funds may only be used for minor purchases, up to a fixed amount, as established by the District's trustees.

Official's Response:

The fund was missing duplicate documentation in the form of receipts or invoices. I was unable to supply those documents totaling \$1,209.41 in the 2005 and 2006 petty cash fund. I did search for them. I did not consider them the official documentation and as such, I obviously was lax in requiring them when purchases were made.

I always assumed that my voucher log was the original documentation. It includes the date, amount, purpose of the expenditure and to whom it was given. This was filled out by me and kept in the account also. Receipts and hand written invoices were kept in an envelope but not attached to each voucher. The log is a complete record of the \$200 Petty Cash fund transactions.

FINDING NUMBER 2006-002

Material Noncompliance

26 U.S.C. § 3102(a) requires employers to withhold a Medicare tax from an employee's gross wages if the employee was hired after April 1, 1986.

Medicare taxes were not withheld from fifteen out of forty-one employees during the audit period tested. The District should withhold Medicare taxes for all employees hired after April 1, 1986. The District should remit Medicare tax withholdings to the Internal Revenue Service.

This matter will be referred to the Internal Revenue Service.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2006
(CONTINUED)**

FINDING NUMBER 2006-002 (CONTINUED)

Official's Response:

The fifteen employees that do not have Medicare taxes withheld belong to either P&F or PERS pension funds. Everyone else participates in the Social Security/Medicare deduction. I (Jacklyn Reznak) began in 1987 and this was already in place. Since that time no one has presented a question regarding it. We have had two payroll agencies, the firefighters have their tax services and I report W-3 data annually in addition to bi-annual audits. Never had there been an indication of an error or I would have corrected the matter sooner.

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Fiscal Officer Certification	Yes	



Mary Taylor, CPA
Auditor of State

MADISON JOINT FIRE DISTRICT

LAKE 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
APRIL 3, 2008**