

Central Townships Joint Fire District
Madison County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central Townships Joint Fire District, Madison County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

September 29, 2014

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Central Townships Joint Fire District
Madison County
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For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Central Townships Joint Fire District, Madison County, (the District) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Central Townships Joint Fire District, Madison County, as of December 31, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the District's internal control over financial reporting and compliance.



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

September 2, 2014

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, 2013 and 2012

	General Fund	
	2013	2012
Cash Receipts:		
Property and Other Local Taxes	\$602,862	\$447,685
Charges for Services	4,367	0
Intergovernmental	92,581	63,714
Earnings on Investments	493	556
Miscellaneous	26,440	2,069
Total Cash Receipts	726,743	514,024
Cash Disbursements:		
Current Disbursements:		
Security of Persons and Property:		
Salaries	273,061	319,599
Benefits	89,428	69,887
Fuel and Utilities	39,844	43,002
Materials and Supplies	9,333	17,782
Equipment	53,381	89,433
Other	27,695	35,258
Capital Outlay	0	499,747
Debt Service:		
Principal	57,000	0
Interest and Fiscal Charges	9,039	0
Total Cash Disbursements	558,781	1,074,708
Excess Receipts Over (Under) Disbursements	167,962	(560,684)
Other Financing Receipts:		
Proceeds from Loan	0	300,000
Sale of Assets	2,050	0
Total Other Financing Receipts	2,050	300,000
Net Change in Fund Cash Balance	170,012	(260,684)
Fund Cash Balance, January 1	144,174	404,858
Fund Cash Balance, December 31:		
Unassigned	314,186	144,174
Fund Cash Balance, December 31	\$314,186	\$144,174

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, 2013 and 2012

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, 2013 and 2012

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 2013 and 2012 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, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

The District applies restricted resources first when disbursements 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 disbursements 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:

	2013	2012
Demand Deposits	\$314,186	\$144,174

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, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$525,000	\$728,793	\$203,793

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$654,700	\$558,781	\$95,919

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$519,909	\$814,024	\$294,115

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$920,600	\$1,074,708	(\$154,108)

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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.

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 2013 and 2012, OP&F participants contributed 10% of their wages. For 2013 and 2012, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2013 and 2012, 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, 2013.

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. The District contributed an amount equal to 6.2% of the employees' gross salaries through December 31, 2013.

Note 6 – Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the Plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 6 – Risk Management (Continued)

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 Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	2012	2013	
Assets	\$13,100,381	\$13,774,304	
Liabilities	(6,687,193)	(7,968,395)	
Members’ Equity	\$6,413,188	\$5,805,909	

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

Note 7 – 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).

The District did not maintain sufficient accounting records, which is contrary to Ohio Administrative Code Section 117-2-02.

The District had disbursements in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

Note 9 – Subsequent Event

In March 2014, the District purchased a new vehicle at a cost of \$25,663.

Note 10 – Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
2012 Fire Truck Acquisition Bonds	\$243,000	2.9%

Central Townships Joint Fire District
Madison County
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 10 – Debt (Continued)

The District issued general obligation bonds to finance the purchase of a new fire truck. The District's taxing authority and the vehicle collateralized the bonds.

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

<u>Year Ending</u> <u>December 31</u>	
2014	\$65,047
2015	65,365
2016	65,625
2017	<u>64,827</u>
Total	<u>\$260,864</u>

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*

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

We have audited 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, the financial statements of the Central Townships Joint Fire District, Madison County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 2, 2014, wherein we noted the District followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 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 corrected on a timely basis. 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 the deficiencies described in the accompanying schedule of findings and responses as items 2013-001, 2013-002, 2013-004, and 2013-005 to be material weaknesses.

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*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 2013-003, 2013-004, and 2013-006.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 2, 2014

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2013-001

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:

With the change in leadership at the Fiscal Officer position and the implementation of a formal computerized accounting package, (QuickBooks) financial reporting will be better.

Finding Number 2013-002

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 2012 or 2013 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:

With the change in leadership at the Fiscal Officer position and the implementation of a formal computerized accounting package, (QuickBooks) Bank reconciliations will be done on a monthly basis within the accounting package to ensure accuracy.

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-003

Noncompliance Citation – Certification 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 Clerk'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 the disbursement is made for the purchase commitment. 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 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:

With the change in leadership at the Fiscal Officer position and the implementation of blanket and super blanket purchase orders will help with this issue.

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-004

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, 6) lack of formal documentation of remaining balances of appropriations, and 7) estimated resources were not incorporated into accounting records at all.

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:

With the change in leadership at the Fiscal Officer position and the implementation of a formal computerized accounting package, (QuickBooks) accounting records will be more formalized and accurate. Financial statements will be consistent and accurate.

Finding Number 2013-005

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. In addition, the District could not provide copies of certain federal tax returns. 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. Failure to maintain documentation also may result in the inability to support compliance with certain laws and regulations. The District should implement procedures to ensure that all disbursements are adequately supported and that supporting documentation is properly maintained.

District's Response:

With the change in leadership at the Fiscal Officer Position, changes in the way supporting documentation is stored have already taken place. Documentation in the future will be organized and complete.

Central Townships Joint Fire District
Madison County
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-006

Noncompliance – Disbursements in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Instances of noncompliance were identified at the legal level of control for 2012 and 2013 and in total for 2012. Failure to limit disbursements to authorized appropriation levels may result in unauthorized spending or overspending. The District should implement procedures to ensure that disbursements are limited to appropriations.

District's Response:

With the change in leadership at the Fiscal Officer Position, and the implementation of an accounting package excess can be recognized and corrected.

Central Townships Joint Fire District
Madison County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Material Weakness – Financial Reporting	No	Reissued as finding 2013-001
Finding 2011-2	Material Weakness – Bank Reconciliation	No	Reissued as finding 2013-002
Finding 2011-3	Noncompliance Citation – Certification of Funds	No	Reissued as finding 2013-003
Finding 2011-4	Noncompliance Citation/Material Weakness – Accounting Records	No	Reissued as finding 2013-004
Finding 2011-5	Material Weakness – Maintenance of Supporting Documentation	No	Reissued as finding 2013-005



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
OCTOBER 9, 2014**