



**Auditor of State
Betty Montgomery**

**CENTRAL TOWNSHIP FIRE DEPARTMENT
MADISON COUNTY**

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**Auditor of State
Betty Montgomery**

Central Township Fire Department
Madison County
8695 State Route 56 SE
Mt. Sterling, Ohio 43143

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 statement due to a February 2, 2005 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 statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 8, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Central Township Fire Department
Madison County
8695 State Route 56 SE
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statement of Central Township Fire Department, Madison County, Ohio (the Department) as of and for the years ended December 31, 2005 and December 31, 2004. This financial statement is the responsibility of the Department's management. Our responsibility is to express an opinion on this financial statement 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 Department has prepared this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Department to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. While the Department does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Department has elected not to reformat its statement. Since this Department does not use GAAP to measure financial statement amounts, 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 statement referred to above for the years ended December 31, 2005 and December 31, 2004, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Central Township Fire Department as of December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of Central Township Fire Department, Madison County, Ohio as of December 31, 2005 and December 31, 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Department to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Department 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 September 8, 2006, on our consideration of the Department'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.



Betty Montgomery
Auditor of State

September 8, 2006

**CENTRAL TOWNSHIP FIRE DEPARTMENT
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Cash Receipts:		
Intergovernmental	\$1,750	\$0
Charges for Services	176,075	179,639
Earnings on Investments	4,897	2,905
Other Revenue	0	1,107
Total Cash Receipts	182,722	183,651
Cash Disbursements:		
Current:		
Salaries & Volunteers	16,807	15,978
Maintenance & Supplies	41,529	40,039
Fire Equipment	15,066	9,932
Fuel/Utilities	17,387	12,246
Capital Outlay	845	845
Miscellaneous	29,548	29,026
Total Disbursements	121,182	108,066
Total Receipts Over Disbursements	61,540	75,585
Fund Cash Balances, January 1	278,585	203,000
Fund Cash Balances, December 31	\$340,125	\$278,585

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

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**CENTRAL TOWNSHIP FIRE DEPARTMENT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Central Township Fire Department, Madison County, Ohio (the Department) was incorporated on March 26, 1969 and is a governmental not-for-profit corporation legally separate from any other entity. The Department is owned by four townships; Deercreek, Union, Oak Run, and Paint Townships. The Department is directed by an appointed twelve member Board of Trustees consisting of the elected Trustees from each participating township. The Department provides fire protection and rescue services within the participating townships and by contract to areas outside the member townships.

The Department receives the majority of its revenue from contracts with the participating townships and two additional townships, Monroe and Somerford Townships. The participating townships pay the Department eight tenths of one mill times the total valuation of said township, while the non-participating townships pay the Department one and two tenths mills times the total valuation of said townships.

The Department has two fire stations, located in Deercreek and Paint Townships. The Department pays each township \$500 annually for the use of each fire station. The fire stations are operated by volunteers from the Central Township Fire Association which is made up of those volunteers from Deercreek and Newport fire stations.

The Department's management believes this financial statement presents all activities for which the Department is financially accountable.

B. Basis of Accounting

This financial statement follows 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.

This statement adequately discloses material matters the Auditor of State prescribes.

C. Cash and Investments

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

The Department's Board of Trustees adopt an annual appropriation resolution which dictates the Department's spending limitations.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**CENTRAL TOWNSHIP FIRE DEPARTMENT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property, Plant, and Equipment

The Department records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

2. EQUITY IN POOLED CASH

The Department maintains a cash pool in two local depositories. The Ohio Revised Code prescribes allowable deposits.. The carrying amount of cash at December 31 follows:

	2005	2004
Demand deposits	\$340,125	\$278,585

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Estimated vs. Actual Receipts			
	Estimated Receipts	Actual Receipts	Variance
General	\$177,000	\$182,722	(\$5,722)

2005 Budgeted vs. Actual Expenditures			
	Appropriation Authority	Expenditures	Variance
General	\$413,000	\$121,182	\$291,818

2004 Estimated vs. Actual Receipts			
	Estimated Receipts	Actual Receipts	Variance
General	\$179,000	\$183,651	(\$4,651)

2004 Budgeted vs. Actual Expenditures			
	Appropriation Authority	Expenditures	Variance
General	\$164,700	\$108,066	\$56,634

**CENTRAL TOWNSHIP FIRE DEPARTMENT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005 AND 2004
(Continued)**

4. RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System of Ohio (OPERS) determined on January 14, 1992, that Central Township Fire Department is a private non-profit fire company providing services on a contractual basis and is not a "public employer" as defined by the Ohio Revised Code Section 145.01(A) and (B). The Central Township Fire Department employees consist of the Fire Chief, Assistant Fire Chief and Clerk are not "public employees": and are not eligible to be contributing members in OPERS.

The employees at the Central Township Fire Department contributed 6.2% of their gross salaries to Social Security. The Department contributed an amount equal to 6.2% of the employees' gross salaries through December 31, 2005 and December 31, 2004.

5. RISK MANAGEMENT

Risk Pool Membership

The Department belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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**Auditor of State
Betty Montgomery**

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

Central Township Fire Department
Madison County
8695 State Route 56 SE
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statement of the Central Township Fire Department, Madison County, Ohio, (the Department) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated September 8, 2006, wherein we noted the Department 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 Department's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Department's management dated September 8, 2006, we reported an other matter related to internal controls we deemed immaterial.

Compliance and Other Matters

As part of reasonably assuring whether the Department'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Department's management dated September 8, 2006, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Board of Trustees. It is not intended for 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

September 8, 2006



**Auditor of State
Betty Montgomery**

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CENTRAL TOWNSHIP FIRE DEPARTMENT

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 5, 2006**