

***TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 & 2012





Dave Yost • Auditor of State

Board of Trustees
Tri Township Joint Fire District
495 Sunbury Road
Delaware, Ohio 43015

We have reviewed the *Report of Independent Accountants* of the Tri Township Joint Fire District, Delaware County, prepared by Charles E. Harris & Associates, 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 Tri Township Joint Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

September 23, 2014

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**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY
Audit Report
For the Years Ended December 31, 2013 and 2012**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2012	5
Notes to the Financial Statements	6-14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15-16
Schedule of Findings	17-19
Schedule of Prior Audit Findings	20-21

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Tri Township Joint Fire District
Delaware County
495 Sunbury Road
Delaware, Ohio 43015

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Tri Township Joint Fire District, Delaware 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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinions.

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, 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 for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

During the year ended December 31, 2012, the District had an audit adjustment that was not recorded. The District is reporting, for December 31, 2012, the General and Fire Equipment funds balances as \$56 and \$386,175, respectively. Had the adjustment been posted, the General and Fire Equipment funds balances would be reported as \$(10,675) and \$396,906, respectively. The District is reporting, for December 31, 2013, the General and Fire Equipment funds balances as \$8,080 and \$470,589, respectively. Had the adjustment been posted, the General and Fire Equipment funds balances would be reported as \$(2,651) and \$481,320, respectively.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Tri Township Joint Fire District, Delaware County, as of December 31, 2013 and 2012, and its combined 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 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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.

Charles Harris Associates

Charles E. Harris & Associates, Inc.

August 18, 2014

**TRI TOWNSHIP JOINT FIRE DISTRICT
 DELAWARE COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2013**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Receipts:			
Property Taxes	\$ 689,501	\$ 123,473	\$ 812,974
Intergovernmental	92,380	16,092	108,472
Interest	854	-	854
Other	28,969	1,835	30,804
Total Receipts	<u>811,704</u>	<u>141,400</u>	<u>953,104</u>
Disbursements:			
Current:			
General Government	10,087	1,860	11,947
Public Safety	726,310	54,341	780,651
Capital Outlay	-	2,938	2,938
Debt Service:			
Principal Retirement	41,246	-	41,246
Interest	26,037	-	26,037
Total Disbursements	<u>803,680</u>	<u>59,139</u>	<u>862,819</u>
Total Receipts Over/(Under) Disbursements	8,024	82,261	90,285
Other Financing Sources/(Uses):			
Sale of Capital Assets	-	2,153	2,153
Total Other Financing Sources/(Uses)	<u>-</u>	<u>2,153</u>	<u>2,153</u>
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	8,024	84,414	92,438
Fund Cash Balance, January 1, 2013	<u>56</u>	<u>386,175</u>	<u>386,231</u>
Fund Cash Balance:			
Restricted	-	470,589	470,589
Unassigned	<u>8,080</u>	<u>-</u>	<u>8,080</u>
Fund Cash Balance, December 31, 2013	<u>\$ 8,080</u>	<u>\$ 470,589</u>	<u>\$ 478,669</u>

See Accompanying Notes to the Financial Statements.

**TRI TOWNSHIP JOINT FIRE DISTRICT
 DELAWARE COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Receipts:			
Property Taxes	\$ 637,668	\$ 122,240	\$ 759,908
Intergovernmental	152,388	1,732	154,120
Interest	603	-	603
Other	1,170	-	1,170
Total Receipts	<u>791,829</u>	<u>123,972</u>	<u>915,801</u>
Disbursements:			
Current:			
General Government	13,141	-	13,141
Public Safety	754,590	23,855	778,445
Capital Outlay	-	55,383	55,383
Debt Service:			
Principal Retirement	36,212	-	36,212
Interest	21,370	-	21,370
Total Disbursements	<u>825,313</u>	<u>79,238</u>	<u>904,551</u>
Total Receipts Over/(Under) Disbursements	(33,484)	44,734	11,250
Fund Cash Balance, January 1, 2012	<u>33,540</u>	<u>341,441</u>	<u>374,981</u>
Fund Cash Balance:			
Restricted	-	386,175	386,175
Unassigned	56	-	56
Fund Cash Balance, December 31, 2012	<u>\$ 56</u>	<u>\$ 386,175</u>	<u>\$ 386,231</u>

See Accompanying Notes to the Financial Statements.

TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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 Tri Township Joint Fire District, Delaware County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Brown Township, Delaware Township and Troy Township. The District provides fire protection and rescue services within 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 accounting basis the Auditor of State 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).

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

C. CASH

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

Governmental Fund Types:

General Fund: The general fund reports all financial resources except those required by law or contract to be accounted for in another fund.

TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Capital Projects Fund: This fund accounts for receipts restricted to acquiring or constructing major capital projects. The District had the following significant Capital Projects Fund:

- *Fire Equipment Fund* - This fund receives tax and intergovernmental receipts to be used for the purchase and maintenance of fire-fighting equipment.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually. A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE

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 governmental-fund resources.

1. **Nonspendable**

The District classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. **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.

3. **Committed**

The Trustees can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Council 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.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 District Trustees.

5. **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.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE - (Continued)

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

G. 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.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$378,669	\$286,231
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>
Total Deposits	<u>\$478,669</u>	<u>\$386,231</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

3. PROPERTY TAXES

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

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

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

<u>2013 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 793,003	\$ 811,704	\$ 18,701
Capital Projects Fund	140,438	143,553	3,115

<u>2013 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund:</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Disbursements</u>	
General Fund	\$ 779,258	\$ 803,680	\$ (24,422)
Capital Projects Fund	80,500	59,139	21,361

<u>2012 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 784,348	\$ 791,829	\$ 7,480
Capital Projects Fund	139,475	123,972	(15,504)

<u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u>			
<u>Fund:</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Disbursements</u>	
General Fund	\$ 872,888	\$ 825,313	\$ 47,575
Capital Projects Fund	93,500	79,238	14,262

TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. BUDGETARY ACTIVITY – (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General fund for the year ended December 31, 2013. Contrary to Ohio law, appropriations exceeded estimated resources exceeded in the General fund for the year ended December 31, 2012.

5. RETIREMENT SYSTEMS

The District's certified fire fighters belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

From Jan. 1, 2012 through June 30, 2013, OP&F plan members were required to contribute 10.00% of their annual covered wages. From July 1, 2013 through Dec. 31, 2013, OP&F plan members were required to contribute 10.75% of their annual covered wages. For 2012 and 2013, OPERS plan members were required to contribute 10.00% of their annual covered wages. Throughout 2012 and 2013, the District contributed 24% and 14% of participants' annual covered wages for OP&F and OPERS, respectively.

6. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

For the year ended December 31, 2012 the District obtained commercial insurance for the following risks.

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

As of January 1, 2013 the District belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) York functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

6. RISK MANAGEMENT – (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>8,486,363</u>	<u>9,355,082</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2013, the Township’s share of these unpaid claims collectible in future years is approximately \$6,500.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below.

**TRI TOWNSHIP JOINT FIRE DISTRICT
 DELAWARE COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2013 and 2012**

6. RISK MANAGEMENT – (Continued)

By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions To OTARMA
<u>2013</u>
<u>\$11,461</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. DEBT

Debt outstanding at December 31, 2013 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Loan	<u>\$485,710</u>	5.50%
Total	<u>\$485,710</u>	

The District constructed a new Fire and EMS Facility. The District's taxing authority collateralized the loan. As security for the loan, the District has agreed to grant Fahey Bank Company a first mortgage with assignment of rents and leases on the real estate located on 5.005 acre tract of land situated on Coover Road, Troy Township.

The following is a summary of the District's future annual debt service requirements:

Year Ended	Amount
2014	\$ 67,004
2015	67,004
2016	67,004
2017	67,004
2018	67,004
2019-2022	<u>272,322</u>
Total	<u>\$607,342</u>

TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Tri Township Joint Fire District
Delaware County
495 Sunbury Road
Delaware, Ohio 43015

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Tri Township Joint Fire District, Delaware 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 August 18, 2014, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We qualified our opinion due to the District not posting an audit adjustment.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

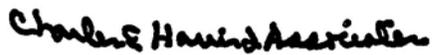
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 finding 2013-003 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-001 through 004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 18, 2014

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at the fund level at December 31, 2013:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$779,258	\$803,680	\$(24,422)

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the District should monitor its financial activity periodically and amend its approved budgets accordingly.

**FINDING NUMBER 2013-002
Noncompliance Citation**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

We noted the following funds had appropriations that exceeded estimated resources at year end December 31, 2012:

Fund	Estimated Resources	Approved Appropriations	Variance
General Fund	\$ 817,888	\$ 872,888	\$(55,000)

We recommend the Fiscal Officer review estimated resources and appropriations to ensure that the appropriations do not exceed the estimated resources.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS - Continued
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-003
Noncompliance and Material Weakness**

Recording of Financial Activity

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The District's 2013 accounting records and financial statements had revenue classification errors of \$45,323 in the General fund and \$ 7,891 in the Fire Equipment fund. In 2012, the District's accounting records and financial statements had revenue classification errors of \$95,238 in the General fund and \$265 in the Fire Equipment fund. The classification errors consisted of the improper recording of Intergovernmental receipts. The financial statements have been reclassified to correct the above errors and the District has agreed with the reclassifications.

Ohio Rev. Code § 5705.10(C) states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, section (D) states that all revenue derived from a source other than the general property tax and which law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District's 2012 accounting records and financial statements included intergovernmental receipts of \$10,731 recorded into the General Fund that actually belonged to the Fire Equipment Fund. The District did not post the correcting entry.

We also noted that all real estate revenues were posted at net. All real estate tax receipts should be recorded at gross with the corresponding assessment fees recorded as expenditures.

The failure to correctly record revenues and expenditures could not only impact users' understanding of the financial operations; it could also inhibit the Board of Trustee's and management's ability to make sound financial decisions, and could impact the Board's ability to comply with budgetary laws.

We recommend that the District closely follow the UAN system guidance when recording transactions. We also recommend that the Fiscal Officer utilize other Auditor of State resources for additional guidance as needed.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS -Continued
DECEMBER 31, 2013 AND 2012**

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

Continued

**FINDING NUMBER 2013-004
Noncompliance**

Ohio Rev. Code § 5705.04 requires the taxing authority of each subdivision to divide the taxes levied into various separate levies including the general levy for debt charges within the ten-mill limitation.

Ohio Rev. Code § 5705.05 states that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges.

The District made general obligation interest and principal payments in 2013 and 2012 from the General fund where general tax levy monies were commingled with other General Fund monies and the District did not separately identify those monies for current expenses.

The District should request that the County Auditor's office allocate the general levy monies to cover future general obligations interest and principal payments and the District should separately identify those monies from the general levy revenues for current expenses.

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Contrary to Ohio Rev. Code Section 5705.41(B) the District had expenditures in excess of appropriations.	No	Citation re-issued as finding number 2013-001
2011-01	Contrary to Ohio Rev. Code Section 5705.39 the District had appropriations in excess of estimated resources.	No	Citation re-issued as finding number 2013-002
2011-01	Contrary to Ohio Rev. Code Section 5705.38(A) the District did not approve permanent appropriations nor file same with County Auditor.	Partially corrected	Citation re-issued as Management letter.
2011-02	Contrary to Ohio Rev. Code Sections 5705.04 and 5705.05 , the District failed to request that the County Auditor allocate general levy revenues separately for general operating and debt service.	No	Citation re-issued as finding number 2013-004.
2011-03	Contrary to Ohio Rev. Code Section 5705.10(C) District recorded intergovernmental revenue into wrong fund.	No	Citation re-issued as finding number 2013-003

**TRI TOWNSHIP JOINT FIRE DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-04	District did not complete accurate and timely bank reconciliations	Yes	No longer valid.
2011-05	District did not properly classify receipts and disbursements.	No	Citation re-issued as finding number 2013-003



Dave Yost • Auditor of State

TRI TOWNSHIP JOINT FIRE DISTRICT

DELAWARE 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 7, 2014**