



**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005-2006



Mary Taylor, CPA
Auditor of State

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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Mary Taylor, CPA

Auditor of State

Tri County Joint Fire District
Madison County
P.O. Box 325
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 statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

April 17, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri County Joint Fire District
Madison County
P.O. Box 325
Mt. Sterling, Ohio 43143

To the Board of Trustees:

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

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

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation. The revisions require presenting entity wide statements for 2006 and 2005. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District 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 statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Tri County Joint Fire District, Madison County, Ohio, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

April 17, 2007

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

	<u>2006</u>	<u>2005</u>
Cash Receipts:		
Local Taxes	\$245,257	\$251,631
Intergovernmental	36,796	26,775
Charges for Services	64,345	64,249
Earnings on Investments	6,921	5,237
Miscellaneous	<u>107</u>	<u>7,955</u>
 Total Cash Receipts	 <u>353,426</u>	 <u>355,847</u>
Cash Disbursements:		
Current:		
Salaries and Benefits	108,965	73,712
Retirement	35,952	22,696
BWC	13,586	9,615
Utilities	9,924	8,336
Tools and Equipment	18,269	432,082
Supplies	10,122	6,837
Repairs	18,347	25,260
Contracted Services	22,428	17,160
Insurance	32,013	29,115
Other	<u>34,288</u>	<u>21,060</u>
 Total Cash Disbursements	 <u>303,894</u>	 <u>645,873</u>
 Total Receipts Over (Under) Disbursements	 <u>49,532</u>	 <u>(290,026)</u>
Other Financing Receipts		
Sale of Fixed Assets	<u>0</u>	<u>3,200</u>
 Total Other Financing Receipts	 <u>0</u>	 <u>3,200</u>
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 49,532	 (286,826)
 Fund Cash Balances, January 1	 <u>197,685</u>	 <u>484,511</u>
 Fund Cash Balances, December 31	 <u><u>\$247,217</u></u>	 <u><u>\$197,685</u></u>

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

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**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Tri County Joint Fire District, Madison County, Ohio, (the District) as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Mount Sterling and Pleasant Township, Madison County; Darby Township and Monroe Township, Pickaway County; and Madison Township, Fayette County.

The District became its own taxing authority by vote of the people as of January, 2003. Pleasant Township, the Village of Mt. Sterling and Darby Township are the three participating members affected by the tax levy. The District also receives tax monies from both Madison and Pickaway Counties. Pickaway County sends the District's tax monies to the Madison County Auditor for disbursement. Madison and Monroe Townships provide funding to meet the District's operating costs under the agreement which established the District. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting 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.

These statements adequately disclose 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. Fund Accounting

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

1. General Fund

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

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 commitments are made.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$247,217	\$197,685

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

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$353,158	\$353,426	\$268

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$484,000	\$303,894	\$180,106

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$319,623	\$359,047	\$39,424

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$830,000	\$645,873	\$184,127

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, members of OP&F contributed 10 percent of their wages to the OP&F. The District contributed an amount equal to 24 percent of their wages. OPERS member employees contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

7. COMPONENT UNIT/RELATED PARTY

The Tri County Fire Fighters Association, Inc. (the "Association") is considered a component unit of the District. The Association is considered a component unit as it would be misleading not to disclose the relationship between the District and the Association. The District's Fire Chief is also the Treasurer of the Tri County Fire Fighters Association, Inc. He manages three outside accounts consisting of a savings account, general checking account and a fire run account. The fire run account consists of receipts from the District for volunteer fire pay. The District records this as contract services expenditures. The Association pays the volunteers for the fire runs which were participated in during the year. The other accounts consist of revenues from various fund raisers held by the Fire Fighters employed by the District.



Mary Taylor, CPA

Auditor of State

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

Tri County Joint Fire District
Madison County
P.O. Box 325
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statements of the Tri County Joint Fire District, Madison County, Ohio, (the District) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated April 17, 2007 wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated April 17, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter on April 17, 2007.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 17, 2007

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Significant Deficiency

Fire Fighters Association

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data monitored may indirectly provide assurance as to the reliability of financial information and if it conforms to the users' expectations.

The District remits checks monthly to the Tri County Joint Fire Fighters Association Inc., (the Association) in which the Fire Chief is the Treasurer. The Fire Chief invoices the District monthly for fire runs performed by the volunteers of the Association. A separate account is maintained by the Association and the volunteer fire fighters are paid for their fire runs from this account. In addition, the Fire Chief requests reimbursement from the District for purchases made on its behalf from the Association's account.

The District receives invoices and run reports to support payments made to the Association. However, there are no monitoring controls in place by the District to ensure transactions being made on its behalf by the Association are being paid correctly (fire run compensation) and are for a proper public purpose.

We recommend the District pay the volunteer fire fighters directly, which would ensure proper payment to the volunteers for services rendered. Also, we recommend the District establish a policy regarding the reimbursement, if any, to the Tri County Joint Fire Fighters Association, Inc. for purchases made on the District's behalf.

Officials' Response:

The reimbursements from the District to the Association have been greatly reduced. Since the last audit we have gotten a credit card and most purchases are made with it. The only purchases that now have to be made by the Association and then reimbursed by the District are for any a credit card cannot be used for, and that we do not have an account with so the District can be billed. The board members are aware of this issue and approve of the way the Chief is making the purchases.

**TRI COUNTY JOINT FIRE DISTRICT
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	<p>A separate account is maintained by the District's Firefighters Association and the volunteer fire fighters are paid for their fire runs from this account. In addition, the Fire Chief requests reimbursement from the District for purchases made on its behalf from the Association's account.</p> <p>There are no monitoring controls in place by the District to ensure transactions being made on its behalf by the Association are being paid correctly and are for a proper public purpose.</p>	No	Not Corrected, repeated



Mary Taylor, CPA
Auditor of State

TRI-COUNTY 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
JULY 31, 2007**