



**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY

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Mary Taylor, CPA
Auditor of State

Fredericktown Community Fire District
Knox County
133 Columbus Road
Fredericktown, Ohio 43019

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 an 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 statement in accordance with GAAP. Our Report includes an adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 18, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fredericktown Community Fire District
Knox County
133 Columbus Road
Fredericktown, OH 43019

To the Board of Trustees:

We have audited the accompanying financial statement of the Fredericktown Community Fire District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006. This financial statement is the responsibility of the District'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 District 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 District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended December 31, 2007 and 2006 does 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, 2007 and 2006, 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 balance of the Fredericktown Community Fire District, Knox County, Ohio, as of December 31, 2007 and 2006, 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 July 18, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

July 18, 2008

**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006**

	2007	2006
Cash Receipts:		
Property and Other Local Taxes	\$ 236,005	\$ 251,750
Charges for Services	800	800
Integovernmental	44,491	39,220
Earnings on Investments	5,989	6,638
Miscellaneous	95	778
	<u>287,380</u>	<u>299,186</u>
Cash Disbursements:		
Current:		
Security of Persons and Property	70,453	43,086
General Government	50,712	46,034
Other	1,664	1,710
Capital Outlay	267,632	136,652
	<u>390,461</u>	<u>227,482</u>
Total Cash Disbursements	<u>390,461</u>	<u>227,482</u>
Total Receipts Over/(Under) Disbursements	<u>(103,081)</u>	<u>71,704</u>
Other Financing Receipts:		
Sale of Fixed Assets	-	58,000
	<u>-</u>	<u>58,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(103,081)</u>	<u>129,704</u>
Cash Balance, January 1	<u>496,882</u>	<u>367,178</u>
Cash Balance, December 31	<u>\$ 393,801</u>	<u>\$ 496,882</u>

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

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**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND 2006**

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 Fredericktown Community Fire District, Knox County, Ohio (the District) as a body corporate and politic. A six member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Berlin Township, Middlebury Township, Morris Township, Pike Township, Wayne Township, and the Village of Fredericktown. The District provides fire protection within the District and contracts with other governments outside the District.

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

B. Accounting Basis

This financial statement follows 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).

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The District maintains a demand deposit account and a savings account.

D. Fund Accounting

The District maintains one operating fund.

General Fund

The General Fund accounts for all financial resources of the District.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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.

**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2007 and 2006 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 statement does not report these items as assets.

2. Equity in Pooled Cash

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$393,801</u>	<u>\$496,882</u>

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

**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$275,200	\$287,380	\$12,180

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$526,500	\$390,461	\$136,039

2006 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$269,700	\$357,186	\$87,486

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$259,500	\$227,482	\$32,018

4. Property Tax

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property 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 Township.

5. Retirement Systems

The District's certified Fire Fighters belong to the 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.

**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

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.



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*

Fredericktown Community Fire District
Knox County
133 Columbus Road
Fredericktown, OH 43019

To the District Board of Trustees:

We have audited the financial statement of the Fredericktown Community Fire District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 18, 2008, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 purpose 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: 2007-001.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also 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, 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 intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 18, 2008

FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Significant Deficiency / Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the District's financial statement.

The Clerk did not always accurately post receipts and disbursements to the District's accounting system. The following posting errors were noted:

- Homestead and rollback monies received were posted to taxes instead of intergovernmental. For 2007 the amount was \$12,859 and for 2006 it was \$12,746.
- A receipt from the Morrow County Auditor for assistance with a hazardous material issue was posted to the ledgers as a negative disbursement in 2006 in the amount of \$2,298.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statement requiring audit reclassification entries; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively manage and budget for the District's activities.

We recommend the District's Clerk take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the District can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the District implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statement and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The District's financial statement and accounting records have been adjusted to accurately reflect the proper line item classifications.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

FREDERICKTOWN COMMUNITY FIRE DISTRICT

KNOX 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
AUGUST 21, 2008**