

Jeromesville Community Fire District

Financial Condition

As of

December 31, 2011

Together with Auditor's Report



Dave Yost • Auditor of State

Board of Trustees
Jeromesville Community Fire District
P. O. Box 414
Jeromesville, Ohio 44840

We have reviewed the *Independent Accountant's Report* of the Jeromesville Community Fire District, Ashland County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State 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 statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Jeromesville Community Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2012

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JEROMESVILLE COMMUNITY FIRE DISTRICT

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Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Accountant's Report

Jeromesville Community Fire District
P.O. Box 414
Jeromesville, Ohio 44840

I have audited the accompanying financial statement of the Jeromesville Community Fire District, (the District) as of and for the years ended December 31, 2011. This financial statement is the responsibility of the District's management. My responsibility is to express an opinion on the financial statement based on my audit.

I 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed 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. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2011. Instead of the combined funds the accompanying financial statements present for 2011, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2011. While the District does not follow GAAP, generally accepted auditing standards require me 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 the District does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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, 2011, or its changes in financial position and cash flows for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jeromesville Community Fire District, Ashland County, Ohio, as of December 31, 2011 and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2011. 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, I have also issued my report dated March 23, 2012, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

March 23, 2012

Jeromesville Community Fire District
 Ashland County
 Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances
 For the Year Ended December 31, 2011

Cash Receipts:	
Property and Other Local Taxes	\$ 182,722
Charges for Services	70,314
Interest Income	476
Other Revenue	6,164
Total Cash Receipts	<u>259,676</u>
Cash Disbursements:	
General Government	56,942
Public Safety	163,068
Capital Outlay	44,370
Interest and Other Fiscal Charges	6,072
Total Cash Disbursements	<u>270,452</u>
Excess of Receipts Over/(Under) Disbursements	<u>(10,776)</u>
Fund Cash Balance - January 1, 2011	<u>145,433</u>
Fund Cash Balance - December 31, 2011	
Unassigned	<u>134,657</u>
Fund Cash Balance - December 31, 2011	<u>\$ 134,657</u>
Reserves for Encumbrances, December 31, 2011	<u>\$ 1,099</u>

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

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jeromesville Community Fire District, Ashland County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District serves three political subdivisions consisting of Plain District, Lake District, and Jeromesville District, which includes Mohican and Perry Districts. The Board of Trustees consists of three members, one member from each of the following: Mohican District, Perry District and Jeromesville District. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection and emergency medical services (EMS) for the subdivisions.

The District has five part-time employees and uses volunteers to provide most of the fire protection and EMS services. In 2011, volunteers were paid \$10 per call, meeting and training session.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The District has no component units.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The District maintains all cash in one checking account.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

D. 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 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. Unencumbered appropriations lapse at year end.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Fund Accounting

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. EQUITY IN POOLED DEPOSITS

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

Demand Deposits	<u>\$ 6,528</u>
Total Deposits	\$ 6,528
Repurchase Agreement	<u>\$ 128,129</u>
Total Investments	<u>\$ 128,129</u>
Total Deposits and Investments	<u>\$ 134,657</u>

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

Investments: The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 follows:

Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 365,687	\$ 259,676	\$ (106,011)

Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 365,687	\$ 271,551	\$ 94,136

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by District Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4. PROPERTY TAX (continued)

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

5. PENSION PLAN

The Jeromesville Community Fire District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Members of OPERS contributed 10 percent of their gross salaries from January 1 to December 31 of 2011. The Jeromesville Community Fire District contributed an amount equaling 14 percent of participants' gross salaries from January 1 to December 31 of 2011. The Jeromesville Community Fire District has paid all contributions required through December 31, 2011.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

7. FUND BALANCE

Fund balance, consist of one classification based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classification is as follows:

1. 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.

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.

8. LEASE-PURCHASE AGREEMENT

On November 30, 2010, the District entered into a lease-purchase agreement with Leasing 2, Inc., for a Sutphen Custom Guardian Pumper, with an annual payment of \$30,442 on June 15, commencing in 2011. The lease expense totaled \$50,442 for the 2011 calendar year.

Future minimum lease payments at December 31, 2011, are as follows:

Year	Principal	Interest	Total
2012	\$ 20,698	\$ 9,744	\$ 30,442
2013	21,604	8,838	30,442
2014	22,551	7,891	30,442
2015	23,538	6,904	30,442
2016	24,569	5,873	30,442
2017 - 2020	89,520	12,248	101,768
Total	<u>\$ 202,480</u>	<u>\$ 51,498</u>	<u>\$ 253,978</u>

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Jeromesville Community Fire District
P.O. Box 414
Jeromesville, Ohio 44840

I have audited the financial statement of Jeromesville Community Fire District as of and for the years ended December 31, 2011, and have issued my report thereon dated March 23, 2012, wherein I noted the District followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. I conducted my 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 my audit, I considered the Jeromesville Community Fire District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Jeromesville Community Fire District's internal control over financial reporting. Accordingly, I have not opined on the effectiveness of the Jeromesville Community Fire District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Jeromesville Community Fire District's financial statements will not be prevented, or detected and timely corrected.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Jeromesville Community Fire District's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under Government Auditing Standards.

I noted certain matters that I reported to management of the Jeromesville Community Fire District's in a separate letter dated March 23, 2012.

This report is intended solely for the information and use of management, and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

March 23, 2012

Jeromesville Community Fire District
Ashland County

Schedule of Findings
December 31, 2011

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

There were no audit findings for the 2011 calendar year.

Jeromesville Community Fire District
Ashland County

Schedule of Prior Audit Findings
December 31, 2011

There were no audit findings for the 2010 calendar year.



Dave Yost • Auditor of State

JEROMESVILLE COMMUNITY FIRE DISTRICT

ASHLAND 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 24, 2012**