

Pic-A-Fay Joint Fire District
Pickaway County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

Board of Trustees
Pick-A-Way Joint Fire District
P.O. Box 385
New Holland, OH 43145

We have reviewed the *Independent Accountants' Report* of the Pick-A-Way Joint Fire District, Pickaway County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 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 Auditor'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 Auditor'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 Pick-A-Way Joint 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

December 4, 2012

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Pic-A-Fay Joint Fire District
Pickaway County
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For the Years Ended December 31, 2011 and 2010

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Independent Auditor's Report

Fire District Board
Pic-A-Fay Joint Fire District
P.O. Box 385
New Holland, Ohio 43145

We have audited the accompanying financial statements of the Pic-A-Fay Joint Fire District, Pickaway County, (the District) as of and for the years ended December 31, 2011 and 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that 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.

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 governments 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 statements referred to above for the years ended December 31, 2011 and 2010 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 and 2010, or its changes in financial position for the years then ended.

Pic-A-Fay Joint Fire District
Pickaway County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the Pic-A-Fay Joint Fire District, Pickaway County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 6, during 2010 the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

September 28, 2012

Pic-A-Fay Joint Fire District
Pickaway County
Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balance
General Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Property and Other Local Taxes	\$69,337
Intergovernmental	10,571
Earnings on Investments	298
Miscellaneous	<u>4,570</u>
Total Cash Receipts	84,776
Cash Disbursements:	
Current Disbursements:	
Security of Persons and Property	45,726
Capital Outlay	2,348
Debt Service:	
Redemption of Principal	15,353
Interest and Other Fiscal Charges	<u>1,556</u>
Total Cash Disbursements	<u>64,983</u>
Excess of Cash Receipts Over Cash Disbursements	19,793
Fund Cash Balance, January 1	<u>119,712</u>
Fund Cash Balance, December 31:	
Unassigned	<u>139,505</u>
Fund Cash Balance, December 31	<u><u>\$139,505</u></u>

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

Pic-A-Fay Joint Fire District
Pickaway County
Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balance
General Fund
For the Year Ended December 31, 2010

Cash Receipts:	
Property and Other Local Taxes	\$67,585
Integovernmental	19,788
Earnings on Investments	337
Miscellaneous	<u>10,033</u>
Total Cash Receipts	97,743
Cash Disbursements:	
Current Disbursements:	
Security of Persons and Property	48,425
Capital Outlay	112
Debt Service:	
Redemption of Principal	14,468
Interest and Other Fiscal Charges	<u>2,441</u>
Total Cash Disbursements	<u>65,446</u>
Excess of Cash Receipts Over Cash Disbursements	32,297
Fund Cash Balance, January 1	<u>87,415</u>
Fund Cash Balance, December 31:	
Unassigned	<u>119,712</u>
Fund Cash Balance, December 31	<u><u>\$119,712</u></u>

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

Pic-A-Fay Joint Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Pic-A-Fay Joint Fire District, Pickaway County, (the District) as a body corporate and politic. A three-member Fire District Board governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Perry Township (Pickaway County), Marion Township (Fayette County) and the Village of New Holland (Pickaway County). The District provides fire protection within the District.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

Deposits

The District has one checking account and had no investments during the audit period.

Budgetary Process

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

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.

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.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

Pic-A-Fay Joint Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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 resources in governmental funds. The classifications are as follows:

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

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.

Committed – The Fire District Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Fire District Board 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.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* 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 Fire District Board or a official delegated that authority by resolution, or by State statute.

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.

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.

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.

Note 2 – Equity in Pooled Deposits

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

	2011	2010
Demand Deposits	\$139,505	\$119,712

Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

Pic-A-Fay Joint Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 3 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,262	\$84,776	\$11,514

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$192,954	\$64,983	\$127,971

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,500	\$97,743	\$21,243

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,915	\$65,446	\$98,469

Note 4 – Retirement System

The District’s one full time employee participates in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan’s benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, the OPERS member contributed 10% of her gross salary and the District contributed an amount equaling 14% of participant’s gross salary. The District has paid all contributions required through December 31, 2011.

Note 5 – Risk Management

The District has obtained commercial insurance for the following risks:

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

There has been no significant reduction in coverage from the prior year and claims have not exceeded coverage for the past three years.

Pic-A-Fay Joint Fire District
Pickaway County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District has implemented for the year ended December 31, 2010. This pronouncement does not affect the calculation of the District's fund balance but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2010 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The District has only a General Fund.

Note 7 – Property Tax

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

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. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory has been reduced to zero for 2010 and 2011.

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

Note 8 – Compliance

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

Note 9 – Debt

The District obtained a commercial loan in December 2007 to purchase a used pumper fire truck. The loan will be repaid in twenty quarterly payments of \$4,227.33 beginning on March 21, 2008. The loan is to mature on December 21, 2012. Amortization of the above debt, including interest, is scheduled as follows:

For the Year Ended December 31,	Commercial Promissory Note
2012	\$16,909

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Fire District Board
Pic-A-Fay Joint Fire District
P.O. Box 385
New Holland, Ohio 43145

We have audited the financial statements of the Pic-A-Fay Joint Fire District, Pickaway County, (the District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 28, 2012, wherein we noted the District followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2010, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, which is described in the accompanying schedule of findings and responses as item 2011-001.

Pic-A-Fay Joint Fire District
Pickaway County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance or another matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-002.

We noted certain matters that we reported to management of the District in a separate letter dated September 28, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Fire District Board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

September 28, 2012

Pic-A-Fay Joint Fire District
Pickaway County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-001

Material Weakness – Financial Reporting

A monitoring system by the District should be in place to prevent or detect misstatements for the accurate presentation of the District’s financial statements. During 2011 and 2010, the District improperly classified various receipts and disbursements. Reclassification entries were required to properly present the activity of the District. The District should implement additional monitoring procedures to ensure transactions are properly recorded.

District Response:

The Fiscal Officer is working on implementing additional monitoring procedures to ensure proper transactions.

Finding Number 2011-002

Noncompliance Citation – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Fiscal Officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – The Fiscal Officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Pic-A-Fay Joint Fire District
Pickaway County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Finding Number 2011-002 (Continued)

Noncompliance Citation – Prior Encumbrance of Funds (Continued)

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

100% of transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

District Response:

The Fiscal Officer is working to get the District to properly utilize purchase orders.

Pic-A-Fay Joint Fire District
Pickaway County Pickaway County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2009-001	Ohio Revised Code 5705.41 (D)(1) Certification of Funds Prior to Expenditure	No	Reissued as finding 2011-002

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Dave Yost • Auditor of State

PICK-A-FAY JOINT FIRE DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2012