



Dave Yost • Auditor of State



**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

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# Dave Yost • Auditor of State

JSP Fire District  
Champaign County  
P.O. Box 648  
St. Paris, Ohio 43072

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

April 4, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

JSP Fire District  
Champaign County  
P.O. Box 648  
St. Paris, Ohio 43072

To the Board of Trustees:

We have audited the accompanying financial statements of JSP Fire District, Champaign 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 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. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and as of December 31, 2010 of JSP Fire District, Champaign County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

As described in Note 1F, during 2011 the JSP Fire District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Additionally, as described in Note 8, the District restated the January 1, 2010 balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2012, 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.



**Dave Yost**  
Auditor of State

April 4, 2012



**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|  | <u>All Fund Types</u> |                            |                  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-----------------------|----------------------------|------------------|---|
|  | <u>General</u>        | <u>Special<br/>Revenue</u> | <u>Permanent</u> |   |
| <b>Cash Receipts:</b>                      |                       |                            |                  |   |
| Property and Other Local Taxes             | \$128,846             | \$141,770                  |                  | \$270,616                               |
| Charges for Services                       | 53,250                | 210,548                    |                  | 263,798                                 |
| Intergovernmental                          | 29,887                | 54,091                     |                  | 83,978                                  |
| Earnings on Investments                    | 624                   | 734                        | \$881            | 2,239                                   |
| Miscellaneous                              | 13,240                | 3,207                      |                  | 16,447                                  |
| Total Cash Receipts                        | <u>225,847</u>        | <u>410,350</u>             | <u>881</u>       | <u>637,078</u>                          |
| <b>Cash Disbursements:</b>                 |                       |                            |                  |   |
| <b>Current Disbursements:</b>              |                       |                            |                  |   |
| General Government                         | 62,747                | 63,374                     |                  | 126,121                                 |
| Public Safety                              | 50,642                | 255,515                    | 1,722            | 307,879                                 |
| Capital Outlay                             | 7,271                 |                            |                  | 7,271                                   |
| <b>Debt Service:</b>                       |                       |                            |                  |   |
| Redemption of Principal                    | 25,606                | 17,904                     |                  | 43,510                                  |
| Interest and Other Fiscal Charges          | 42,834                | 28,556                     |                  | 71,390                                  |
| Total Cash Disbursements                   | <u>189,100</u>        | <u>365,349</u>             | <u>1,722</u>     | <u>556,171</u>                          |
| Excess Receipts Over (Under) Disbursements | <u>36,747</u>         | <u>45,001</u>              | <u>(841)</u>     | <u>80,907</u>                           |
| <b>Other Financing Receipts:</b>           |                       |                            |                  |   |
| Sale of Fixed Assets                       |                       | 15,000                     |                  | 15,000                                  |
| Total Other Financing Receipts             |                       | <u>15,000</u>              |                  | <u>15,000</u>                           |
| Net Change in Fund Cash Balance            | 36,747                | 60,001                     | (841)            | 95,907                                  |
| Fund Cash Balances, January 1              | <u>144,598</u>        | <u>259,925</u>             | <u>114,162</u>   | <u>518,685</u>                          |
| Fund Cash Balances, December 31            | <u>181,345</u>        | <u>319,926</u>             | <u>113,321</u>   | <u>614,592</u>                          |
| Non-spendable                              |                       |                            | 53,725           | 53,725                                  |
| Restricted                                 |                       | 319,926                    | 59,596           | 379,522                                 |
| Unassigned                                 | <u>181,345</u>        |                            |                  | <u>181,345</u>                          |
| Fund Cash Balances, December 31            | <u>\$181,345</u>      | <u>\$319,926</u>           | <u>\$113,321</u> | <u>\$614,592</u>                        |

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

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | <u>All Fund Types</u> |                            |                  | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|-----------------------|----------------------------|------------------|---|
|   | <u>General</u>        | <u>Special<br/>Revenue</u> | <u>Permanent</u> |   |
| <b>Cash Receipts:</b>   |                       |                            |                  |   |
| Property and Other Local Taxes  | \$131,558             | \$146,181                  |                  | \$277,739                               |
| Charges for Services  | 59,061                | 152,398                    |                  | 211,459                                 |
| Intergovernmental   | 38,471                | 182,978                    |                  | 221,449                                 |
| Earnings on Investments   | 1,224                 | 1,346                      | \$1,714          | 4,284                                   |
| Miscellaneous   | 10,763                | 3,738                      |                  | 14,501                                  |
| Total Cash Receipts   | <u>241,077</u>        | <u>486,641</u>             | <u>1,714</u>     | <u>729,432</u>                          |
| <b>Cash Disbursements:</b>  |                       |                            |                  |   |
| <b>Current Disbursements:</b>   |                       |                            |                  |   |
| General Government  | 51,098                | 56,667                     |                  | 107,765                                 |
| Public Safety   | 42,151                | 186,434                    | 1,571            | 230,156                                 |
| Capital Outlay  | 63,000                | 184,232                    |                  | 247,232                                 |
| <b>Debt Service:</b>  |                       |                            |                  |   |
| Redemption of Principal   | 27,080                | 21,951                     |                  | 49,031                                  |
| Interest and Other Fiscal Charges   | 41,860                | 24,009                     |                  | 65,869                                  |
| Total Cash Disbursements  | <u>225,189</u>        | <u>473,293</u>             | <u>1,571</u>     | <u>700,053</u>                          |
| Total Receipts Over Disbursements   | <u>15,888</u>         | <u>13,348</u>              | <u>143</u>       | <u>29,379</u>                           |
| <b>Other Financing Receipts:</b>  |                       |                            |                  |   |
| Sale of Fixed Assets  |                       | 15,000                     |                  | 15,000                                  |
| Total Other Financing Receipts  |                       | <u>15,000</u>              |                  | <u>15,000</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over Cash Disbursements | 15,888                | 28,348                     | 143              | 44,379                                  |
| Fund Cash Balances, January 1 (Restated - Note 8)                               | <u>128,710</u>        | <u>231,577</u>             | <u>114,019</u>   | <u>474,306</u>                          |
| Fund Cash Balances, December 31   | <u>\$144,598</u>      | <u>\$259,925</u>           | <u>\$114,162</u> | <u>\$518,685</u>                        |

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

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 JSP Fire District, Champaign County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. One represents the Village of St. Paris; one represents Johnson Township; and three members at-large. The District provides fire protection, rescue services, and EMS 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

The District held certificates of deposit. The District had no investments.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**FEMA Fund** – This fund accounts for the Federal Emergency Management Agency grant activity.

**EMS Levy Fund** – This fund accounts for the EMS tax levy, billing, and service contract activity.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the District's programs. The District had the following significant permanent fund:

**Barger Trust Fund** - this fund receives interest income from the donated principal. The income is to be used for the general purposes of the District.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**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 re-appropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

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

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications in accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The District classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

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

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**G. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District maintains a deposit and investments 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:

|                         | <u>2011</u>      | <u>2010</u>      |
|-------------------------|------------------|------------------|
| Demand deposits         | \$493,496        | \$397,589        |
| Certificates of deposit | 121,096          | 121,096          |
| Total deposits          | <u>\$614,592</u> | <u>\$518,685</u> |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the District.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

| <b>2011 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$241,078                | \$225,847              | (\$15,231)      |
| Special Revenue                          | 412,009                  | 425,350                | 13,341          |
| Permanent                                | 918                      | 881                    | (37)            |
| Total                                    | \$654,005                | \$652,078              | (\$ 1,927)      |

| <b>2011 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                |                               |                 |
|--|--------------------------------|-------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
| General  | \$260,000                      | \$189,100                     | \$ 70,900       |
| Special Revenue  | 405,132                        | 365,349                       | 39,783          |
| Permanent  | 1,800                          | 1,722                         | 78              |
| Total  | \$666,932                      | \$556,171                     | \$110,761       |

| <b>2010 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$194,855                | \$241,077              | \$ 46,222       |
| Special Revenue                          | 295,813                  | 501,641                | 205,828         |
| Permanent                                | 1,600                    | 1,714                  | 114             |
| Total                                    | \$492,268                | \$744,432              | \$252,164       |

| <b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                |                               |                 |
|--|--------------------------------|-------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
| General  | \$261,129                      | \$225,189                     | \$35,940        |
| Special Revenue  | 516,511                        | 473,293                       | 43,218          |
| Permanent  | 1,600                          | 1,571                         | 29              |
| Total  | \$779,240                      | \$700,053                     | \$79,187        |

Contrary to Ohio law, there was violations of Ohio Rev. Code Section 5705.41(d)(1) for the lack of prior certification of funds in 2011 and 2010.

**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 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.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**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. DEBT**

Debt outstanding at December 31, 2011 was as follows:

|                        | <b>Principal</b> | <b>Interest Rate</b> |
|------------------------|------------------|----------------------|
| Fire/EMS Building Loan | \$1,869,818      | 4%                   |
| Total                  | \$1,869,818      |                      |

On June 26, 2009, the District entered into a loan in amount of \$2,000,000 for the construction of a new fire/ems building. The terms of repayment for the debt is on demand, if no demand is made then 27 quarterly payments of \$28,725 beginning September 26, 2009, and one balloon payment of \$1,730,906 on June 26, 2016. The District plans to refinance the loan prior to the balloon payment.

Amortization of the above debt, including interest, is scheduled as follows:

| <b>Year ending December 31:</b> | <b>Fire/EMS<br/>Building Loan</b> |
|---------------------------------|-----------------------------------|
| 2012                            | \$ 114,900                        |
| 2013                            | 114,900                           |
| 2014                            | 114,900                           |
| 2015                            | 114,900                           |
| 2016                            | 1,730,906                         |
| Total                           | \$2,190,506                       |

**6. RETIREMENT SYSTEMS**

The 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. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2011.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Electronic data and equipment

**8. PRIOR PERIOD ADJUSTMENT**

The District established an EMS Levy Fund at January 1, 2010 to account for the EMS Levy activity. It was previously recorded in the General Fund. A prior period adjustment was necessary to present the adjustment of monies from the General Fund to the EMS Levy Fund.

|               | <b>December 31, 2009<br/>Balance</b> | <b>Client's Fund<br/>Adjustment</b> | <b>Finding for<br/>Adjustment</b> | <b>January 1, 2010<br/>Adjusted Beginning<br/>Balance</b> |
|---------------|--------------------------------------|-------------------------------------|-----------------------------------|---|
| General Fund  | \$360,287                            | (\$205,118)                         | (\$26,459)                        | \$128,710   |
| EMS Levy Fund |                                      | 205,118                             | 26,459                            | 231,577   |
| Total         | <u>\$360,287</u>                     | <u>\$ 0</u>                         | <u>\$ 0</u>                       | <u>\$360,287</u>  |





# Dave Yost • Auditor of State

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

JSP Fire District  
Champaign County  
P.O. Box 648  
St. Paris, Ohio 43072

To the Board of Trustees:

We have audited the financial statements of JSP Fire District, Champaign County, (the District) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 4, 2012, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated the January 1, 2010 balances. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding item 2011-02 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 4, 2012.

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

We intend this report solely for the information and use of management, Board of Trustees, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

April 4, 2012

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 2011-01**

**Material Noncompliance – Prior Certification of Funds**

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

- A. "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.
  
- B. Blanket Certificate** – Fiscal officers 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.
  
- C. 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.

JSP Fire District did not properly certify the availability of funds prior to purchase commitment for \$66,098 out of \$241,508 (27%) expenditures tested. There was no evidence that JSP Fire District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

**FINDING NUMBER 2011-01  
(Continued)**

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. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

**Official's Response:**

We are aware of these violations. There was a \$60,000 expenditure which comprised a significant portion of the total violation. In the future, we will verify a Blanket Certificate is in place prior to any obligation.

**FINDING NUMBER 2011-02**

**Material Weakness– Accuracy and Completeness of Financial Activity and Balances**

The District should have procedures in place to help assure the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

In 2011, the District had the following recording errors in the accounting records and/or financial statements:

- The December 31, 2011, General Fund balance was incorrectly presented as Restricted. Under GASB 54 presentation, the \$181,345 balance was properly presented as Unassigned.
- The Village of St. Paris made annual payments to the District to purchase the old firehouse. The Village's 2011 payment of \$15,000 to the District was incorrectly recorded as Other Financing Sources instead of Sale of Fixed Asset. This misclassification affected the EMS Levy Fund (Special Revenue Fund).
- The December 31, 2011, Permanent Fund balance did not present the principal amount separate from the accumulated interest balance. The principal amount of \$53,725 was correctly presented as Non-spendable Fund Balance under GASB 54. The interest portion, in amount of \$59,596 was reclassified from assigned to restricted.
- In 2011, there was \$9,034 of state rollbacks incorrectly recorded as taxes in the EMS Levy Fund.
- Johnson Township paid the remaining of their EMS tax levy to the District in 2011. However, the revenue was incorrectly recorded as charges for services by the fiscal officer. The monies, in amount of \$11,633, should have been posted as intergovernmental revenue.

In 2010, the District had the following recording errors in the accounting records and/or financial statements:

- The fiscal officer made a beginning balance adjustment to allocate the EMS tax levy activity in a separate Special Revenue Fund. Thus, the December 31, 2009 audited balance for the General Fund did not agree to the client's January 1, 2010 balance. The client's amount allocated to setup the EMS Levy Fund was determined to be understated. There was an additional \$26,459, which should have been in the EMS Levy Fund as of January 1, 2010. The additional monies were from the former EMS organization's CD and checking account balance received in 2008. A finding for adjustment in amount of \$26,459 was necessary to properly present the General Fund and EMS Levy Fund beginning balance.

**FINDING NUMBER 2011-02  
(Continued)**

- The Village of St. Paris made annual payments to the District to purchase the old firehouse. The Village's 2010 payment of \$15,000 to the District was incorrectly recorded as Other Financing Sources instead of Sale of Fixed Asset. This misclassification affected the EMS Levy Fund (Special Revenue Fund).
- In 2010, \$44,000 was received from Johnson Township for the EMS tax levy. This amount was incorrectly posted as miscellaneous revenue in the EMS Levy Fund.
- The fiscal officer recorded a total of \$15,000 from the Ohio Department of Public Safety as Other Financing Sources in the EMS Levy Fund. These 2010 monies should have been posted as intergovernmental revenue.
- There were eleven adjustments made by the fiscal officer on the UAN system, which were later reversed to have no net effect. However, the fiscal officer should use due care to avoid making adjustments on the UAN system.

The failure to maintain accounting records and to prepare financial statements that present accurate and complete financial information and balances may impact a users' understanding of the financial operations, may inhibit the ability of management and the governing body to make sound financial decisions, may impact the District's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accompanying financial statements and accounting records have been adjusted to correctly reflect this financial activity.

The Fiscal Officer should review the Uniform Accounting Network (UAN) Chart of Accounts and post transactions according to the account code descriptions. The Fiscal Officer should utilize governmental accounting resources such as those provided on the Auditor of State website when preparing accounting records and annual financial statements. The District's Fiscal Officer and Board of Trustees should also perform a periodic review of the financial records to help identify and correct recording errors.

**Official's Response:**

The District acknowledges they did not prepare the financial statements for GASB 54. The Fiscal Officer was unable to find the necessary accounts to use in the UAN manual. The adjustment amount of \$26,459 has been made by the District as of 4/25/12. We will use due care in the financial statement presentation.

**JSP FIRE DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2009-001       | Accuracy and Completeness of Financial Activity and Balances – due to financial statement errors | No               | Repeated as Finding Number 2011-02   |
| 2009-002       | Ohio Rev. Code Section 5705.36(A)(2) – failure to amend the cert. of estimated resources         | Yes              |  |



# Dave Yost • Auditor of State

**JSP FIRE DISTRICT**

**CHAMPAIGN 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  
MAY 31, 2012**