



Dave Yost • Auditor of State

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

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Dave Yost • Auditor of State

Bascom Joint Fire District
Seneca County
P.O. Box 132
Bascom, Ohio 44809-0132

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.

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Dave Yost
Auditor of State

June 14, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bascom Joint Fire District
Seneca County
P.O. Box 132
Bascom, Ohio 44809-0132

To the Board of Trustees:

We have audited the accompanying financial statements of Bascom Joint Fire District, Seneca County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the 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 districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Bascom Joint Fire District, Seneca County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 14, 2011

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**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>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$102,745			\$102,745
Charges for Services	12,640			12,640
Intergovernmental	36,379			36,379
Earnings on Investments	394			394
Miscellaneous	3,801			3,801
	<u>155,959</u>			<u>155,959</u>
Cash Disbursements:				
Current Disbursements:				
Security of Persons and Property:				
Salaries	34,590			34,590
Fringe Benefits	5,690			5,690
Materials and Supplies	24,638			24,638
Other	52,254			52,254
Capital Outlay	14,446			14,446
Debt Service:				
Redemption of Principal		\$36,741		36,741
Interest and Other Fiscal Charges		8,954		8,954
	<u>131,618</u>	<u>45,695</u>		<u>177,313</u>
Total Receipts Over/(Under) Disbursements	<u>24,341</u>	<u>(45,695)</u>		<u>(21,354)</u>
Other Financing Receipts / (Disbursements):				
Sale of Capital Assets	2,681			2,681
Transfers-In		45,695	\$50,000	95,695
Transfers-Out	(95,695)			(95,695)
	<u>(93,014)</u>	<u>45,695</u>	<u>50,000</u>	<u>2,681</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(68,673)		50,000	(18,673)
Fund Cash Balances, January 1	<u>192,937</u>		<u>10,672</u>	<u>203,609</u>
Fund Cash Balances, December 31	<u>\$124,264</u>		<u>\$60,672</u>	<u>\$184,936</u>

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

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>All Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$105,393			\$105,393
Charges for Services	12,640			12,640
Intergovernmental	34,153			34,153
Earnings on Investments	478			478
Miscellaneous	9,556			9,556
				<hr/>
Total Cash Receipts	162,220			162,220
				<hr/>
Cash Disbursements:				
Current Disbursements:				
Security of Persons and Property:				
Salaries	34,402			34,402
Fringe Benefits	7,304			7,304
Materials and Supplies	8,277			8,277
Equipment	1,840			1,840
Other	52,387			52,387
Capital Outlay		\$45,997		45,997
				<hr/>
Total Cash Disbursements	104,210	45,997		150,207
				<hr/>
Total Receipts Over/(Under) Disbursements	58,010	(45,997)		12,013
				<hr/>
Other Financing Receipts / (Disbursements):				
Transfers-In		45,997		45,997
Transfers-Out			(\$45,997)	(45,997)
				<hr/>
Total Other Financing Receipts / (Disbursements)		\$45,997	(45,997)	
				<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	58,010		(45,997)	12,013
				<hr/>
Fund Cash Balances, January 1	134,927		56,669	191,596
				<hr/>
Fund Cash Balances, December 31	\$192,937		\$10,672	\$203,609
				<hr/> <hr/>

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

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Bascom Joint Fire District, Seneca County, Ohio (the District), as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member and the third member is selected by the board of trustees in a joint session of the townships. Those subdivisions are Hopewell and Loudon Townships. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. 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. Fund Accounting

The District uses fund accounting to segregate cash that is 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. Debt Service Fund

This fund accounts for resources the District accumulates to pay bond and note debt. The District had the following debt service fund:

Debt Retirement Fund – This fund receives transfers in to account for debt retirement payments. A lease purchase agreement was issued for the purchase of a new fire pumper.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District had the following capital project fund:

Capital Equipment Fund – This fund is to be used for the purchase and maintenance of firefighting equipment.

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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, 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 reappropriated in the subsequent year. The District did not certify all disbursements.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

E. 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

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$184,936</u>	<u>\$203,609</u>

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

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,959	\$158,640	(\$3,319)
Debt Service		45,695	45,695
Capital Projects		50,000	50,000
Total	\$161,959	\$254,335	\$92,376

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,395	\$227,313	(\$49,918)
Debt Service	45,695	45,695	
Total	\$223,090	\$273,008	(\$49,918)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,914	\$162,220	\$3,306
Debt Service		45,997	45,997
Total	\$158,914	\$208,217	\$49,303

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,000	\$104,210	\$33,790
Debt Service		45,997	(45,997)
Capital Projects		45,997	(45,997)
Total	\$138,000	\$196,204	(\$58,204)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$49,918 for the year ended December 31, 2010 and the Debt Service and Capital Projects Funds by \$45,997, for the year ended December 31, 2009. An amended certificate of estimated resources was not obtained in either year for the Debt Service and Capital Projects Funds. In addition, the District did not certify all disbursements.

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2010, was as follows:

Lease Purchase	<u>Principal</u>	<u>Interest Rate</u>
	<u>\$163,259</u>	4.99%

The District entered into a lease purchase agreement to finance the purchase of a new fire pumper. Contrary to the Agreement's covenants the District did not approve the Lease Purchase in a resolution approved by the Board in an open meeting or provide financial statements, budgets and proof of appropriations.

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

Year ending December 31:	Lease Purchase
2011	\$45,695
2012	45,695
2013	45,695
2014	45,695
Total	\$182,780

6. Retirement Systems

The District's officials 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 2010 and 2009, 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, 2010.

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Retirement Systems (Continued)

Fire Fighters are excluded from contributing to the Ohio Public Employees Retirement System and fall under the jurisdiction of Social Security. The Fire Fighter's and District's liability is 6.2% of wages paid.

7. Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the District's share of these unpaid claims collectible in future years is approximately \$11,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2008	\$10,122
2009	\$10,144
2010	\$11,325

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The District also has disability insurance through a private carrier.



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*

Bascom Joint Fire District
Seneca County
P.O. Box 132
Bascom, Ohio 44809-0132

To the Board of Trustees:

We have audited the financial statements of the Bascom Joint Fire District, Seneca County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 14, 2011, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 2010-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-003 and 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 14, 2011.

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

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



Dave Yost
Auditor of State

June 14, 2011

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision or taxing unit 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 that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Board.

2. **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.
3. **Super Blanket Certificate** – The Board 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 may, but need not, be limited to a specific vendor. 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.

Twenty-four percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Board made a motion to allow the Fiscal Officer to open blanket purchase orders, for each line item, for the remaining amount in each item. The Board did not pass a resolution establishing limit amounts for regular blanket certificates.

**FINDING NUMBER 2010-001
 (Continued)**

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of the Board funds being over expended or exceeding budgetary spending limitations as set by the Board. The Board should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all the Board disbursements receive prior certification from the Fiscal Officer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Fiscal Officer and recorded against appropriations.

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code, § 5705.36(A)(5), states the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. **Ohio Revised Code, § 5705.39**, states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Permanent appropriations were adopted by the Board on January 8, 2009; the amended certificate of estimated resources was not obtained until February 3, 2009. This resulted in appropriations exceeding estimated resources in all funds in January of 2009. Also during 2010, the certificate did not include the Debt Service Fund therefore appropriations exceeded estimated resources for the entire year for the Debt Service Fund (\$45,695).

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Estimated resources should have been reduced to the level of the actual resources available for appropriation.

Management officials should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of the Trustees, to avoid appropriations exceeding estimated resources which could lead to possible overspending.

FINDING NUMBER 2010-003

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

During our compliance testing we found no instance of supplemental appropriations being adopted, therefore, certain expenditures exceeded appropriations in 2010 and 2009. Noncompliance was found in the following funds:

Fund	Appropriations	Expenditures	Variance
2010			
General Fund	\$177,395	\$227,313	(\$49,918)
2009			
Debt Service Fund		45,997	(45,997)
Capital Projects Fund		45,997	(45,997)

**FINDING NUMBER 2010-003
(Continued)**

The District's management was advised that failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2010-004

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required audit reclassifications. In 2010, payment of debt was not distinguished between the principal and interest (\$8,954). Ambulance storage rent (\$2,400) and Fire Assistance (\$5,000) were misposted to the Miscellaneous line item instead of Charges for Services. A training grant (\$1,500) was misposted to the Miscellaneous line item instead of Intergovernmental Revenues. The proceeds received from the sale of the 1984 pumper (\$2,681) were misposted to Miscellaneous line item instead of Sale of Capital Assets. Tangible Personal Property Tax (\$699) and Manufactured Home Tax (\$1,119) were misposted to Intergovernmental Revenues instead of Taxes. Homestead/Rollback was posted at net which understated revenues and expenditures by \$131. Taxes paid from salaries were misposted to Fringe Benefits line item instead of Salaries (\$3,631).

In 2009, ambulance storage rent (\$2,400) and Fire Assistance (\$5,000) were misposted to the Miscellaneous line item instead of Charges for Services. Tangible Personal Property Tax (\$1,602) and Manufactured Home Tax (\$1,198) were misposted to Intergovernmental Revenues instead of Taxes. Homestead/Rollback was posted at net which understated revenues and expenditures by \$131. Taxes paid from salaries were misposted to Fringe Benefits line item instead of Salaries (\$3,760).

The accompanying financial statements have been corrected to show these reclassifications.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

FINDING NUMBER 2010-005

Noncompliance Citation

Master Equipment Lease Purchase Agreement Article I. Representation, Warranties and Covenants of Lessee states, in part (d) Lessee has duly authorized the execution and delivery of this Agreement by proper action by its governing body at a meeting duly called, regularly convened and attended throughout by the requisite majority of the members thereof, or by other appropriate official approval, and all requirements have been met and procedures have occurred in order to ensure the enforceability of this Agreement; (g) during the Lease Term, Lessee will annually provide Lessor with current financial statements, budgets, proof of appropriations for the ensuring fiscal year and such other financial information relating to the ability of Lessee to continue this Agreement as may be reasonably requested by Lessor.

The Municipal Certificate signed by all the officials refers to a meeting of the governing body on August 19, 2009. There are no minutes reflecting any action on this date and the regular scheduled meeting was held on August 13, 2009, in which there was no action on the Lease Purchase Agreement. Also, no financial statements, budgets, or proof of appropriations have been given to the Republic First National Corporation.

Not following the covenants could constitute an event of default. We recommend the Officials read their Master Equipment Lease Purchase Agreement and follow the covenants.

Officials' Response:

I will be working with the Board of the Bascom Joint Fire District in correcting the issues with the purchase orders and also with reclassifying the lines items that were mentioned in the report. I will also file the necessary paperwork with the county auditor in regards to the purchase of the fire truck and debt service fund. I have contacted the bank and will get the necessary paperwork from them regarding the lease agreement. Also I will be working on new policies for personal information, travel, flower fund, and parades and will update the policy on credit card. I will also correct the recommendation on more thorough minutes, temporary appropriations, encumbrances and the issue with line items revenue and appropriations. My board meeting is June 9, 2011 and this was discussed with only the trustees present. Thanks you for all your assistance in this matter.

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Noncompliance citation – ORC 5705.41(D)(1) failure to certify expenditures.	No	Not Corrected. Repeated as Finding #2010-001 in this report.
2008-002	Material Weakness Financial Reporting	No	Not Corrected. Repeated as Finding #2010-004 in this report.

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Dave Yost • Auditor of State

BASCOM JOINT FIRE DISTRICT

SENECA 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 19, 2011**