

POLK-JACKSON-PERRY FIRE DISTRICT

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2010 and 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Polk-Jackson-Perry Fire District
P.O. Box 275
Polk, Ohio 44866

We have reviewed the *Report of Independent Accountants* of the Polk-Jackson-Perry Fire District, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Polk-Jackson-Perry 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

November 23, 2011

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POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
Audit Report
For the years ended December 31, 2010 and 2009

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REPORT OF INDEPENDENT ACCOUNTANTS

**Polk-Jackson-Perry Fire District
Ashland County
P.O. Box 275
Polk, Ohio 44866-0275**

To the Board of Trustees:

We have audited the accompanying financial statements of the Polk-Jackson-Perry Fire District, Ashland County, Ohio (the District) as 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 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.

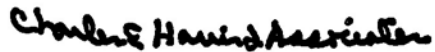
Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, 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 and reserves for encumbrances of the Polk-Jackson-Perry Fire District, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 September 30, 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 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.



Charles E. Harris & Associates, Inc.
September 30, 2011

POLK-JACKSON-PERRY FIRE DISTRICT
 ASHLAND COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - GENERAL FUND
 For the years ended December 31, 2010 and 2009

	2010	2009
<u>Cash Receipts:</u>		
Property and Local Taxes	\$ 210,916	\$ 193,802
Charges for Services	58,186	80,948
Intergovernmental	9,902	4,297
Earnings on Investments	115	1,702
	279,119	280,749
<u>Cash Disbursements:</u>		
Current:		
General Government	-	13
Public Safety	114,392	127,362
Public Works	1,000	-
Capital Outlay	24,367	51,535
Debt Service:		
Principal	42,470	15,000
Interest	27,143	23,970
	209,372	217,880
Total Cash Disbursements	209,372	217,880
Total Receipts Over/(Under) Disbursements	69,746	62,869
<u>Other Financing Sources/(Uses):</u>		
Other Financing Sources	(33)	-
Total Other Financing Sources/(Uses)	(33)	-
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	69,713	62,869
Fund Cash Balance January 1, as restated	191,399	128,530
Fund Cash Balance December 31,	\$ 261,112	\$ 191,399
Reserve for Encumbrances, December 31,	\$ 3,594	\$ 2,627

See accompanying Notes to the Financial Statements

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended 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 Polk-Jackson-Perry Fire District, Ashland County, (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. Those subdivisions are the Village of Polk, Jackson Township, and Perry Township. 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. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

The District's cash is held in an interest bearing checking account and STAR Ohio. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported to the State Treasurer.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 type:

General Fund

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

POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 carried over, and need not be reappropriated.

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

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$213,793	\$144,132
STAR Ohio	47,319	47,267
Total deposits and investments	<u>\$261,112</u>	<u>\$191,399</u>

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

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (continued)

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 242,327	\$ 279,119	\$ 36,792

2010 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 181,127	\$ 212,999	\$ (31,872)

2009 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 246,521	\$ 280,749	\$ 34,228

2009 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 180,000	\$ 220,507	\$ (40,507)

4. RETIREMENT SYSTEM

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 both years, 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.

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

5. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashland County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2010. The next revaluation is scheduled for 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashland County Treasurer collects property taxes on behalf of the District. The Ashland County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

6. RISK MANAGEMENT

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Insurance

PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO

Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

6. RISK MANAGEMENT - (continued)

Property Insurance

Beginning in 2005, Travelers reinsures specific losses exceeding \$500,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Retained Earnings	<u>\$20,631,198</u>	<u>\$21,118,036</u>

Based on discussion 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 each year of the membership.

Contributions to PEP

2008	\$7,950
2009	\$8,735
2010	\$9,291

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus subsequent year's premium. Also, upon withdrawal, payments of all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 365,000	4.25 - 6.20%
Lease-Purchase	113,530	

The December 31, 2008 principal balance was overstated for the promissory note by \$18,226 and the December 31, 2008 principal balance of the general obligation bonds was understated by \$27,822.

The District issued improvement bonds to finance construction of a new fire building. The improvement bonds were issued on September 2, 1999, in the amount of \$500,000 plus \$1,784 accrued interest, and have a maturity date of December 1, 2024. The improvement bonds are collateralized solely by the District's taxing authority.

On June 11, 2009, the District acquired a used fire truck through a lease-purchase agreement. The final lease payment will be made March 15, 2014. Capitalized value is \$191,000.

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

General Obligation Bonds			
Year	Principal	Interest	Total
2011	\$ 15,000	\$ 22,305	\$ 37,305
2012	20,000	21,450	41,450
2013	20,000	20,300	40,300
2014	20,000	19,080	39,080
2015	20,000	17,860	37,860
2016-2020	130,000	67,950	197,950
2021-2024	140,000	22,630	162,630
Total	\$ 365,000	\$ 191,575	\$ 556,575

Lease-Purchase			
Year	Principal	Interest	Total
2011	\$ 26,632	\$ 4,836	\$ 31,468
2012	27,766	3,702	31,468
2013	28,949	2,519	31,468
2014	30,183	1,285	31,468
Total	\$ 113,530	\$ 12,342	\$ 125,872

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO**

**Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the state government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), the District did not always certify funds.

Contrary to Ohio Revised Code Section 5705.41 (B), the District had expenditures plus encumbrances exceeded total appropriations.

10. RESTATEMENT OF PRIOR YEAR FUND BALANCE

A detailed bank reconciliation for 2008 revealed an understatement of the cash balance as of December 31, 2008 of \$28,580 in the General Fund.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Polk-Jackson-Perry Fire District
Ashland County
P.O. Box 275
Polk, Ohio 44866-0275

To the Board of Trustees:

We have audited the financial statements of the Polk-Jackson-Perry Fire District, Ashland County, Ohio (the District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 30, 2011, wherein we noted the District followed accounting practices the Auditor of State prescribes 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 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 to be material weaknesses.

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 findings 2010-003 and 2010-004 described in the accompanying Schedule of Findings to be material weaknesses.


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 such 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.

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 also noted certain matters that we have reported to management of the District in a separate letter dated September 30, 2011.

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.

A handwritten signature in black ink that reads "Charles E. Harris Associates". The signature is written in a cursive, slightly slanted style.

Charles E. Harris and Associates, Inc.
September 30, 2011

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings
For the Years Ending 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 Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter.

During the years ended December 31, 2010 and 2009, the General Fund's expenditures plus encumbrances exceeded total appropriations by \$31,872 and \$40,507, respectively.

The District should monitor expenditures more closely to ensure they do not expend more than has been lawfully appropriated. Further, the District should revise their appropriation resolution during the year as needed to ensure that expenditures plus encumbrances do not exceed appropriations.

Official's Response:

Management is implementing budgetary procedures to avoid expenditures exceeding appropriations in the future.

Finding Number 2010-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. 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. The amount so certified shall be recorded against the applicable appropriation account.

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 certificate 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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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.

POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings - continued
For the Years Ending 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 2010-002 - Continued

Noncompliance Citation-Continued

2. **Blanket Certificate-Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution 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 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, any other specific recurring and reasonable 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.**

During review of expenditures (non-payroll), we noted 77% of expenditures tested in which the District incurred an obligation prior to the fiscal officer certifying the availability of funds. More simply, the date of the invoice preceded the date of the purchase order.

To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used. 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.

Official’s Response:

Management will require employees to communicate purchases needed before the purchases are actually made.

Finding Number 2010-003

Non-Compliance Citation and Material Weakness

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings - continued
For the Years Ending 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 2010-003 - Continued

Non-Compliance Citation and Material Weakness - Continued

During 2009 and 2010, the District was missing the following documentation or had the following misclassifications or postings:

- Numerous receipts for property taxes and ambulance/fire runs were not recorded or not correctly posted in the UAN system.
- OPERS amounts incorrectly posted in UAN system.
- Certain OPERS statements could not be located.
- Various interest received and bank fees were not posted in the UAN system.
- Employee pay rates could not be verified as having been approved by the Board of Trustees.

We recommend that the District retain all relevant documentation for all purchases and receipts. Also, we recommend the District use more caution when recording transactions to ensure timely and proper fund and account classification. Furthermore, management should ensure that OPERS withholdings and employer contributions are properly recorded in the UAN system. The audit report and the District's records were adjusted to reflect the proper activity.

Official's Response:

Management will contact UAN to determine why OPERS is not being posted to the system properly. Also, the fiscal officer has improved procedures on timely posting of receipts and has communicated them to employees.

Finding Number 2010-004

Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. During 2009 and 2010, the District did not resolve various differences between the adjusted bank balance and the balance reflected within the District's accounting records.

The District hired a consultant to reconcile the book to bank balances. The consultant found numerous incorrect postings of transactions during the year, including but not limited to incorrect OPERS postings, unposted interest received and bank fees, receipts not correctly posted, posting of payments in the wrong year and posting of receipts several weeks after the actual receipt of money and incorrect outstanding check lists. These amounts were adjusted in the financial statements and the District's records.

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
Schedule of Findings - continued
For the Years Ending 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 2010-004 - Continued

Material Weakness - Continued

Without complete, accurate and timely monthly bank reconciliations, the District's internal control is weakened, which could hinder the detection of errors or irregularities by the District's management in a timely manner.

The District should perform and complete monthly bank reconciliations in a timely manner. Also, management should investigate all reconciling items during each month, including interest received, bank fees and incorrect OPERS or other postings. Furthermore, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month.

Official's Response:

Management agrees on the importance of performing timely bank reconciliations. The fiscal officer has reviewed the bank reconciliations and procedures and will continue forward in 2011. Timely reconciliations will be performed in the future.

**POLK-JACKSON-PERRY FIRE DISTRICT
ASHLAND COUNTY, OHIO
For the Years Ended December 31, 2010 and 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2007 and 2008, reported no material citations or recommendations.

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Dave Yost • Auditor of State

POLK-JACKSON-PERRY FIRE DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 8, 2011**