



Dave Yost • Auditor of State

LITTLE MIAMI JOINT FIRE RESCUE DISTRICT
HAMILTON COUNTY

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Dave Yost • Auditor of State

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

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 District 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

February 05, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

To the Board of Trustees:

We have audited the accompanying financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (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. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions. In addition, the December 31, 2011 financial statement does not present fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54.

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 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, 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, except for the omission of receipt and disbursement classifications and failure to adopt GASB 54, as described in paragraph 3 above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Little Miami Joint Fire and Rescue District, Hamilton County, as of December 31, 2011 and 2010, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 05, 2013, 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

February 05, 2013

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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>Governmental All Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Unclassified	\$ 2,075,789	\$ 365,407	\$ 528,274	\$ 159,315	\$ 3,128,785
Total Unclassified Cash Receipts	<u>2,075,789</u>	<u>365,407</u>	<u>528,274</u>	<u>159,315</u>	<u>3,128,785</u>
Cash Disbursements:					
Unclassified	2,351,396	31,186	699,157	3,194,271	6,276,010
Total Unclassified Cash Disbursements	<u>2,351,396</u>	<u>31,186</u>	<u>699,157</u>	<u>3,194,271</u>	<u>6,276,010</u>
Excess Receipts Over/(Under) Disbursements	<u>(275,607)</u>	<u>334,221</u>	<u>(170,883)</u>	<u>(3,034,956)</u>	<u>(3,147,225)</u>
Fund Cash Balances, January 1	<u>401,803</u>	<u>601,930</u>	<u>577,444</u>	<u>6,386,581</u>	<u>7,967,758</u>
Fund Cash Balances, December 31:	<u>\$126,196</u>	<u>\$936,151</u>	<u>\$406,561</u>	<u>\$3,351,625</u>	<u>\$4,820,533</u>

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

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Unclassified	\$ 2,067,809	\$ 162,898	\$ 510,000	\$ 8,004,381	\$ 10,745,088
Total Unclassified Cash Receipts	<u>2,067,809</u>	<u>162,898</u>	<u>510,000</u>	<u>8,004,381</u>	<u>10,745,088</u>
Cash Disbursements:					
Unclassified	\$ 2,300,082	\$ 27,157	\$ 44,794	\$ 1,617,800	\$ 3,989,833
Total Unclassified Cash Disbursements	<u>2,300,082</u>	<u>27,157</u>	<u>44,794</u>	<u>1,617,800</u>	<u>3,989,833</u>
Excess Receipts Over/(Under) Disbursements	<u>(232,273)</u>	<u>135,741</u>	<u>465,206</u>	<u>6,386,581</u>	<u>6,755,255</u>
Fund Cash Balances, January 1	<u>634,076</u>	<u>466,189</u>	<u>112,238</u>	<u>0</u>	<u>1,212,503</u>
Fund Cash Balances, December 31	<u><u>\$401,803</u></u>	<u><u>\$601,930</u></u>	<u><u>\$577,444</u></u>	<u><u>\$6,386,581</u></u>	<u><u>\$7,967,758</u></u>

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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 Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as a body corporate and politic. A six-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Columbia Township, the Village of Fairfax, and the Village of Newtown. 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).

The District did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements. In addition the District did not classify fund balances in the accompanying 2011 financial statements. This is material departure from the requirements of Governmental Accounting Standards Board Statement 54.

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

C. Cash and Investments

The District's cash and investment includes deposits, certificate of deposits (CD's), money market and repurchase agreement. The District has all cash deposits in an interest bearing checking account.

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 Fund:

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

Emergency Medical Services (EMS) – This fund receives money from billings for medical assistance.

3. Debt Service Funds

These funds account for resources the District accumulates to pay bond and note debt. The District had the following significant Debt Service Funds:

Bond Retirement Fund – This fund receives money for the retirement of a vehicle acquisition bond.

General Bond Retirement Fund – This fund received tax levy money for the retirement of the capital project bond.

4. Capital Project Funds

These funds account for resources the District accumulates to pay for construction. The District had the following significant Capital Project Fund:

Firehouse Construction Fund – This fund receives bond money for the construction of the Newtown and Fairfax firehouses.

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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio Revised Code. However, the District had no material unrecorded encumbrances at December 31, 2011 and 2010.

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

The District maintains a cash 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:

	2011	2010
Demand deposits	\$55,064	(\$31,451)
Certificates of deposit	\$25,000	\$25,000
Total deposits	80,064	(6,451)
Money Market	4,113,537	5,980,700
Repurchase agreement	626,932	1,993,509
Total investments	4,740,469	7,974,209
Total deposits and investments	\$4,820,533	\$7,967,758

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

Investments: The PNC holds the District's money market account and repurchase account in book-entry form by, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of the investment.

A financial institution's trust department holds the District's equity securities in book entry form in the District's name.

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,666,368	\$2,075,789	(\$590,579)
Special Revenue	0	365,407	365,407
Capital Project	0	159,315	159,315
Debt Service	0	528,274	528,274
Total	\$2,666,368	\$3,128,785	\$462,417

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,823,439	\$2,351,396	\$6,472,043
Special Revenue	11,000	31,186	(20,186)
Capital Project	0	3,194,271	(3,194,271)
Debt Service	531,572	699,157	(167,585)
Total	\$9,366,011	\$6,276,010	\$3,090,001

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,335,892	\$2,067,809	(\$268,083)
Special Revenue	120,000	162,898	42,898
Capital Project	0	8,004,381	8,004,381
Debt Service	510,000	510,000	0
Total	\$2,965,892	\$10,745,088	\$7,779,196

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,296,433	\$2,300,082	(\$3,649)
Special Revenue	12,500	27,157	(14,657)
Capital Project	0	1,617,800	(1,617,800)
Debt Service	546,000	44,794	501,206
Total	\$2,854,933	\$3,989,833	(\$1,134,900)

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

3. Budgetary Activity (Continued)

Contrary to Ohio Revised Code Section 5705.10(B), revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, were not paid into a bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund; or a special levy fund for the purpose for which the levy was made. Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations at December 31, 2010 for the General fund, Special revenue and Capital project funds. At December 31, 2011 for the Special revenue, Debt service and Capital funds. Contrary to Ohio Revised Code Section 5705.09 the District did not establish all required funds. Contrary to Ohio Rev. Code Section 5705.39 total appropriations from each fund exceeded the total estimated revenue available for expenditure.

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 District.

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$45,000	various
General Obligation Bonds 2	205,000	various
Fire Bonds	7,945,000	various
Total	\$8,195,000	

The District issued general obligation bonds through the Ohio Capital Asset Financing Program as Fractionalized Interests to finance the purchase of a pickup truck, car, and ambulance. The District's taxing authority collateralized its bonds.

In 2010, the District issued \$8,135,000 series long term general obligation bond (LTGO) in taxable Build America Bonds (BAB) that carry an interest subsidy payment. The bonds were issued for the construction of a new fire house. The bonds have a final maturity of December 1, 2036.

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

5. Debt (Continued)

Year ending December 31:	Vehicle Acquisition Bonds	Vehicle Acquisition Bonds 2	Fire Bonds
2012	\$46,744	\$37,824	\$493,842
2013		40,950	496,648
2014		40,250	494,032
2015		39,200	495,668
2016		37,800	496,620
2017-2021		36,400	2,473,252
2022-2026			2,464,503
2027-2031			2,471,863
2032-2036			2,467,428
Total	<u>\$46,744</u>	<u>\$232,424</u>	<u>\$12,353,854</u>

6. Retirement Systems

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. 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.

7. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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



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

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

To the Board of Trustees:

We have audited the financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 05, 2013, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United State of America. We qualified our report on the governmental funds because the accompanying financial statements present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions. In addition, the December 31, 2011 financial statement does not present fund balance classifications in accordance with Governmental Accounting Standards Board Statement 54. 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 certain deficiencies in internal control over financial reporting, that we consider 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 2011-001 through 2011-004 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 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 2011-001, 2011-002, 2011-004 and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 05, 2013.

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, 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

February 05, 2013

**LITTLE MIAMI JOINT FIRE RESCUE DISTRICT
HAMILTON COUNTY**

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

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

Noncompliance/Material Weakness

Ohio Revised Code, Section 5705.09, states, in part, each subdivision shall establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;

Also, **Ohio Revised Code, Section 5705.10(B)**, states all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund. (C) All revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

Although the District prepared annual budgets for individual funds, the District recorded all 2011 and 2010 transactions in one fund, and did not establish the funds required by these Ohio Revised Code sections. Specifically, the District did not establish a separate fund for the tax levy money received for the retirement of the capital project bond. Auditors returned to the District the financial statements initially submitted by the District for audit and requested that the District classify transactions by fund. The District classified transactions by fund and submitted revised financial statements for audit.

Failure to establish the required funds and properly monitor the disbursements, increases the risk that restricted funds will be spent for purposes not allowed by the restriction, and that errors, theft or fraud will occur and not be detected in a timely manner. We recommend that the District review its revenue sources and related restrictions and establish the necessary funds required by Ohio Revised Code Sections 5705.09 and 5705.10(B) based on the guidelines in AOS Bulletin 1999-006. Also, the District should establish controls to ensure that appropriate funds are established for new revenue sources as needed.

The financial statements included in this report have been revised to reflect receipts and disbursements by applicable fund types.

**FINDING NUMBER 2011-001
 (Continued)**

Officials' Response:

The District has now separated the Capital Project bonds from the other levies. The 2.3 mil levy passed for the collection of funds to be put towards the construction of the fire stations is technically an operating levy by ORC definition. (The District did not have enough property valuation to run a defined Capital Levy bond.) Funds received from the County auditor were lumped together on the "Statement of Semiannual Apportionment of Taxes" and everything was tracked through one fund. The District has requested that the County separate out the 2.3 mil levy from the other previous operating levies so that funds used for this Capital Project can be tracked separately. This is now occurring.

FINDING NUMBER 2011-002

Noncompliance/Material Weakness

Ohio Revised Code, Section 5705.39, states, in part, that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission.

Fund Type (Year)	Appropriations	Estimated Receipts	Variance
Debt Service (2010)	\$ 546,000	\$ 510,000	(\$ 36,000)
General fund (2011)	8,823,439	3,669,164	(5,154,275)
Special Revenue (2011)	11,000	0	(11,000)
Debt Service (2011)	531,572	0	(531,572)

Failure to limit appropriations to the amount of estimated resources may result in overspending and negative fund balances. We recommend that the District monitor appropriations to ensure that they do not exceed estimated resources.

Ohio Revised Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

Fund Type (Year)	Appropriated	Expenditures	Variance
General Fund (2010)	\$2,296,433	\$2,300,082	\$(3,649)
Special Revenue (2010)	12,500	27,157	(14,657)
Capital Project (2010)	0	1,617,800	(1,617,800)
Special Revenue (2011)	11,000	31,186	(20,186)
Debt Service (2011)	531,572	699,157	(167,585)
Capital Project (2011)	0	3,194,272	(3,194,272)

**FINDING NUMBER 2011-002
(Continued)**

Budgetary Monitoring

Monitoring controls are regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

When designing the system of internal control and the specific control activities, management should consider ensuring:

- a) Reliability of financial reporting;
- b) Effectiveness and efficiency of operations;
- c) Compliance with applicable laws and regulations.

Ohio Administrative Code Section 117-2-02 (C) (1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not record budgetary amounts in their accounting system, and did not maintain an accounting system to provide management with ongoing and timely budgetary information at the fund level. Failure to update the system with the official budget increases the risk of relying on inaccurate information for monitoring compliance with applicable laws, operations, and proper reporting.

We recommend the District enter appropriation information into their accounting system and implement controls over updating system information.

Officials' Response:

The District used a Quickbooks program and budgetary amounts were not entered electronically. The District has executed the agreement to participate in the State Auditor's Uniform Accounting Network (UAN) system which will allow/require the entering of budgetary information to assist in accurate and timely budgetary tracking for each fund.

FINDING NUMBER 2011-003

Material Weakness

Governmental Accounting Standard Board Statement (GASB) 54 is applicable for audit periods for audit periods beginning after June 15, 2010. This statement eliminates the reserved component of governmental fund balances in favor of a restricted classification to enhance the consistency of information between the government-wide statements and the governmental fund financial statements. The statement also enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**FINDING NUMBER 2011-003
(Continued)**

The District was required to implement GASB 54 for the year end December 31, 2011, however the District did not present the 2011 financial statements in accordance with GASB 54.

We recommend the District report fund balance in accordance with GASB 54. Failure to do this could mislead the users of the financial statements. Auditor of State Bulletin 2011-004 provides an explanation of GASB 54 and guidance for implementation.

Officials' Response:

The District will present GASB 54 fund balances for future audits as we convert to the UAN system.

FINDING NUMBER 2011-004

Noncompliance/Material Weakness

Ohio Administrative Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by the Code Section 117-2-03.

We identified the following conditions related to the District's accounting system, accounting records, and financial statements:

1. The District presented as support to the financial statements two detailed reports: a cash journal (a report titled FMP 2000) and a receipts and disbursements ledger (a report named *Transaction Detail by Account*). Due to the following conditions related to these reports, auditors were unable to gain assurance over the accuracy of receipt classifications, disbursement classifications, and year-end balances.
 - Balances on the cash journal presented by the District did not reconcile to total deposit, checking, and investment accounts.
 - The District lacked timely reconciliations.
 - The District provided no support for disbursement classifications.

Auditors were able to verify other assertions regarding total receipts and disbursements by testing the cash journal to the bank statements, and auditors were able to calculate year end book balances based on District bank statements and outstanding checks. Because auditors could gain assurance for District assertions of completeness and accuracy only for total receipts, disbursements and balances for each opinion unit, the District presented unclassified financial statements.

**FINDING NUMBER 2011-004
 (Continued)**

2. Financial statements presented by the District for audit did not foot as follows:

	Debt Service Fund 2011	Capital Project Fund 2011
December 31 financial statement balances presented by the District	\$804,549	\$3,734,458
December 31 balances calculated (footed)	406,561	3,351,625
Difference	\$397,988	\$382,833

3. We also noted the following conditions related to the District's records for 2010 and 2011:

- The District maintained a receipt ledger; however, it did not include information on estimated receipts (and related balances of available resources).
- The District did not post certain receipts to the correct fund and some receipts were not posted to the system.
- The District did not maintain an appropriation ledger.
- The District did not post the following transactions:
 - \$397,988 debt payment expenditure
 - \$382,835 property purchase expenditure

These expenditures have been included in the accompanying financial statements.

An adequate system of internal control includes procedures which help ensure that all transactions are properly executed and recorded and that the related accountability for assets is maintained. The conditions described above indicate a lack of control over the processes for recording and reporting of the District's financial activity, and increases the risk that errors, theft, fraud, or noncompliance may occur and not be detected in a timely manner.

We recommend the District take immediate action to ensure complete and accurate accounting records, accurate and timely reconciliations, and complete, timely and accurate financial reporting. Complete and accurate accounting records and financial reporting will enable the Board to effectively monitor the District's financial activity. Accurate and timely reconciliations are an effective tool to help management determine the completeness of recorded transactions and ensure that all recorded transactions have been deposited with the financial institution.

We stress the need for immediate action to correct these deficiencies because District accounting records are not reconciled to bank balances beginning in January 2012, the first month after the audit period. Implementation of such procedures will add a substantial measure of assurance that the District's financial activity is properly accounted for and fairly presented for external reporting purposes.

**FINDING NUMBER 2011-004
(Continued)**

Officials' Response:

The District's conversion to the UAN system will allow a cohesive tracking of bank reconciliations with the financial reports. Although the bank recs were consistently checked against the receipts and expenditures each month and reconciled through the Quickbooks program, that information did not coincide with the financial reports since items were lumped together in one fund vs. separate funds (i.e. checking vs. investment accounts).

FINDING NUMBER 2011-005

Noncompliance

Ohio Revised Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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. However, this did not result in a negative fund balance for this fund.

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

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

2. Blanket Certificate – 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 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.

**FINDING NUMBER 2011-005
(Continued)**

The District did not properly certify the availability of 55% (12 of 22) disbursements totaling \$931,213 in 2011; and 86% (6 of 7) disbursements totaling \$1,269,593 in 2010, prior to the obligation date and none of the three exceptions provided above were utilized.

Failure to properly certify the availability of funds can result in expenditures in excess of appropriations and negative cash fund balances. Unless the District uses the exceptions noted above, prior certification is not only required by statute but also 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, we recommend that the fiscal officer certify that 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.

We recommend the District officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The District recognizes that the purchase order system needs to be improved to account for all purchases made by the District. Although efforts were made to improve the PO system between 2010 and 2011, the Quickbooks software as well as the part-time nature of the fiscal officer did not prove to be sufficient in ensuring all purchases made were assigned a purchase order. The conversion to the UAN system will prevent this from occurring in the future.

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**LITTLE MIAMI JOINT FIRE RESCUE DISTRICT
HAMILTON 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; <i>Explain</i>
2009-01	OAC section 117-2-02(A) requires all local public offices to maintain a sufficient accounting system and accounting records.	No	Not Corrected - Reissued as Finding 2011-004
2009-02	ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated.	No	Not Corrected - Reissued as Finding 2011-002
2009-03	ORC Section 5705.41(D)(1), not properly certifying funds before expenditure incurred	No	Not Corrected - Reissued as Finding 2011-005

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Dave Yost • Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT

HAMILTON 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
MARCH 7, 2013**