

Jeromesville Community Fire District

Financial Condition

As of

December 31, 2007

Together with Auditor's Report



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jeromesville Community Fire District
P.O. Box 414
Jeromesville, Ohio 44840

We have reviewed the *Independent Accountant's Report* of the Jeromesville Community Fire District, Ashland County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jeromesville Community Fire District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 6, 2009

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JEROMESVILLE COMMUNITY FIRE DISTRICT

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Independent Accountant's Report

Jeromesville Community Fire District
P.O. Box 414
Jeromesville, Ohio 44840

I have audited the accompanying financial statement of the Jeromesville Community Fire District, (the District) as of and for the years ended December 31, 2007. This financial statement is the responsibility of the District's management. My responsibility is to express an opinion on the financial statement based on my audit.

Except as discussed in paragraph six, I conducted my 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' *Governmental Auditing Standards*. Those standards require that I plan and perform the audit to reasonably assure whether the financial statement is 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. I believe my audit provides a reasonable basis for my opinion.

As described more fully in Note 1, the District has prepared this financial statement 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 I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, I 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 me to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the 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. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2007 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, 2007 or the change in financial position for the year then ended.

I was unable to determine the completeness, occurrence, allocation, and rights and obligations of cash receipts recorded in the General Fund during 2007. In addition, the Jeromesville Community Fire District, did not maintain adequate accounting records for the year ended December 31, 2007, and I was unable to apply procedures to verify the proper classification of cash receipts, or whether accounting principles have been consistently applied between 2006 and 2007.

Also, in my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had I been able to obtain the information and documentation to support the cash receipts for the year ended December 31, 2007, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Jeromesville Community Fire District, as of December 31, 2007 for the year 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 year ended December 31, 2007. The Government 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*, I have also issued my report dated April 27, 2009, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my 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 my audit.

Kevin L. Penn, Inc.

April 27, 2009

Jeromesville Community Fire District
 Ashland County
 Combined Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances
 For the Year Ended December 31, 2007

Cash Receipts:	
Property and Other Local Taxes	\$ 160,518
Charges for Services	67,200
Interest Income	3,301
Other Revenue	10,773
Total Cash Receipts	<u>241,792</u>
Cash Disbursements:	
General Government	215,731
Public Safety	2,989
Capital Outlay	28,500
Interest and Other Fiscal Charges	403
Total Cash Disbursements	<u>247,623</u>
Excess of Receipts Over/(Under) Disbursements	<u>(5,831)</u>
Fund Cash Balance - January 1, 2007	58,687
Fund Cash Balance - December 31, 2007	<u>\$ 52,856</u>
Reserves for Encumbrances, December 31, 2007	<u>\$ -</u>

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

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jeromesville Community Fire District, Ashland County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District serves three political subdivisions consisting of Plain Township, Lake Township, and Jeromesville District, which includes Mohican and Perry Townships. The Board of Trustees consists of three members, one member from each of the following: Mohican Township, Perry Township and Jeromesville District. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection and emergency medical services (EMS) for the subdivisions.

The District has five part-time employees and uses volunteers to provide most of the fire protection and EMS services. In 2007, volunteers were paid \$10 per call, meeting and training session.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The District has no component units.

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 or permitted by the Auditor of State.

C. Cash and Investments

The District has no investments. The District maintains all cash in one checking account.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Monies held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits. At year-end, the carrying amount of the District's deposits was \$52,856 and the bank balance was \$68,276. Of the bank balance, \$68,276 was covered by federal depository insurance.

Investments. Statutory provisions require that the District hold all securities acquired by the District or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the District for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the District withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The District does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the District or its agent in District name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the District. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District. The District does not have any investments.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 follows:

Budgeted vs. Actual Receipts			
Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 279,184	\$ 241,792	\$ (37,392)

Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 253,600	\$ 247,623	\$ 5,977

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by District Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

5. PENSION PLAN

The District's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Ohio Public Employees Retirement System

All District full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Ohio Public Employees Retirement System

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. District to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory District for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.50 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the District was 13.85 percent for OPERS of covered payroll. The District's required contributions to OPERS for the fiscal years ended December 31, 2007, 2006, and 2005 were \$457, \$343 and \$211 respectively. 100 percent of the contributions have been paid for 2007, 2006 and 2005.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

6. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory District for employer contributions. The 2007 employer contribution rate was 13.85 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2007.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 374,130. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**JEROMESVILLE COMMUNITY
FIRE DISTRICT
ASHLAND COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

6. POST-EMPLOYMENT BENEFITS (continued)

On September 9, 2006 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2006. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance coverage to full time employees through a private carrier.

8. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



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Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Jeromesville Community Fire District
P.O. Box 414
Jeromesville, Ohio 44840

I have audited the financial statement of Jeromesville Community Fire District as of and for the years ended December 31, 2007, and have issued my report thereon dated April 27, 2009. My report on the financial statement disclosed that, as described in Note 1 to the financial statement, the District prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. In addition, I qualified my report because I was unable to satisfy myself to the completeness, occurrence, allocation, and rights and obligations of cash receipts recorded in the General Fund during 2007. Furthermore, the Jeromesville Community Fire District, did not maintain adequate accounting records for the year ended December 31, 2007, and I was unable to apply procedures to verify the proper classification of cash receipts, or whether accounting principles have been consistently applied between 2006 and 2007. Except as discussed in the preceding sentence, I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jeromesville Community Fire District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide an opinion on the internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

I consider findings 2007-1, 2007-2, 2007-3 and 2007-4 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2007-1, 2007-3 and 2007-4 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jeromesville Community Fire District's financial statements are free of material misstatement, I tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2007-1, 2007-3 and 2007-4.

I noted certain matters that I reported to management of Jeromesville Community Fire District in a separate letter dated April 27, 2009

The Jeromesville Community Fire District's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit the Jeromesville Community Fire District's response and, accordingly, I express no opinion on it.

Jeromesville Community Fire District's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit the Jeromesville Community Fire District's response and, accordingly, I express no opinion on it.

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

Kevin L. Penn, Inc.

April 27, 2009

Jeromesville Community Fire District
Ashland County

Schedule of Findings
December 31, 2007

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

2007-1

Preparation of Financial Statements

Condition:

From January to June, the supporting documentation for cash receipts, pertaining the conversion process for the UAN system, could not be located by management. Therefore, the proper classification of cash receipts could not be verified.

Criteria:

The internal controls established by management, pertaining to the preparation of financial statements should operate in a matter which should prevent or detect errors, inconsistencies, and omissions.

Effect:

The proper classification of cash receipts could not be verified for a total of \$108,524.43.

Cause:

Inadequately designed control policies and procedures related to the preparation of the financial statements.

Recommendation:

I recommend that management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and the design appropriate controls as necessary to rectify inadequacies. Furthermore, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures would prevent or detect the error or fraud on a timely basis.

Auditee's Response:

No response was provided by the Auditee.

Jeromesville Community Fire District
Ashland County

Schedule of Findings
December 31, 2007

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

2007-2

Separation of Duties

Condition:

The Fiscal Officer, signs and issues checks; receives and makes deposits, and reconciles the bank accounts. The basic premise is that no one individual should have access to both physical assets the related accounting records or to various phases of a transaction. One of the most critical areas of separation is cash, where I noted that there is not proper separation of duties, pertaining to the handling incoming checks; preparation of the deposit slips; and the reviewing of the monthly bank accounts.

Criteria:

The following functions should be performed by individuals/board member who are totally independent:

- Issuing and signing checks
- Maintaining the accounting records
- Reviewing the bank statements
- Performing bank reconciliations
- Maintaining vendor statements and invoices

Effect:

Resulted in inadequate separation of duties.

Cause:

As a result of the number of staff employed by the District, there is a limit to the extent of separation of duties.

Recommendation:

In order to improve internal controls, I recommend that a board member performs the following functions: 1) signs the checks; 2) reviews invoices before disbursements are made, and 3) receives the bank statements directly from the bank so they can be reviewed prior to the Fiscal Officer's performance of the bank reconciliation. By performing these procedures, the risk of an inadequate segregation of duties over cash transactions will be significant reduced.

Auditee's Response:

No response was provided by the Auditee.

Jeromesville Community Fire District
Ashland County

Schedule of Findings
December 31, 2007

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

2007-3

Cash Disbursements

Condition:

During the testing of cash disbursements, the following was noted:

1. There were four transactions with an aggregate total of \$546.65 whereby there was no supporting documentation.
2. There were eighteen instances whereby the purchase order was dated after the invoice date.

Criteria:

The internal controls established by management, pertaining to cash disbursements should operate in a manner which should prevent or detect errors, inconsistencies, and omissions.

Effect:

Disbursements were not always properly supported; therefore, proper classification of cash disbursements could not always be verified.

Cause:

Inadequately designed control policies and procedures related to cash disbursements.

Recommendation:

In order to improve internal controls, I recommend that a board member review invoice and purchase order before disbursements are made, and that the disbursements are maintained in a filing system established by management. By performing this procedure, the risk of an inadequate supporting documentation and potential questioned costs will be significantly reduced.

Auditee's Response:

No response was provided by the Auditee.

Jeromesville Community Fire District
Ashland County

Schedule of Findings
December 31, 2007

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

2007-4

Cash Receipts

Condition:

During the testing of cash receipts, there were eleven transactions with an aggregate total of \$38,785.49 whereby there was no supporting documentation.

Criteria:

The internal controls established by management, pertaining to cash receipts should operate in a manner which should prevent or detect errors, inconsistencies, and omissions.

Effect:

Receipts were not always properly supported; therefore, proper classification of cash receipts could not always be verified.

Cause:

Inadequately designed control policies and procedures related to cash receipts.

Recommendation:

In order to improve internal controls, I recommend that a board member review the receipt and deposit ticket on a monthly basis, and that the receipts are maintained in a filing system established by management. By performing this procedure, the risk of an inadequate supporting documentation will be significantly reduced.

Auditee's Response:

No response was provided by the Auditee.

Jeromesville Community Fire District
Ashland County

Schedule of Prior Audit Findings
December 31, 2007

Finding Number 2006-1

Finding Summary:

The Fiscal Officer, signs and issues checks; receives and makes deposits, and reconciles the bank accounts. The basic premise is that no one individual should have access to both physical assets the related accounting records or to various phases of a transaction. One of the most critical areas of separation is cash, where I noted that there is not proper separation of duties, pertaining to the handling incoming checks; preparation of the deposit slips; and the reviewing of the monthly bank accounts.

Fully Corrected?

No.

Current Status:

This finding will be repeated in the 2007 audit.

Finding Number 2006-2

Finding Summary:

During the testing of cash disbursements, the following was noted:

1. There were six transactions with an aggregate total of \$24,971.66 whereby there was no supporting documentation.
2. There were seven instances whereby the purchase order was dated after the invoice date.

Fully Corrected?

No.

Current Status:

This finding will be repeated in the 2007 audit.

Jeromesville Community Fire District
Ashland County

Schedule of Prior Audit Findings
December 31, 2007

Finding Number 2006-3

Finding Summary:

During the testing of cash receipts, there were eleven transactions with an aggregate total of \$13,960.96 whereby there was no supporting documentation.

Fully Corrected?

No.

Current Status:

This finding will be repeated in the 2007 audit.



Mary Taylor, CPA
Auditor of State

JEROMESVILLE COMMUNITY 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
JULY 16, 2009