



**Auditor of State
Betty Montgomery**

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

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**Auditor of State
Betty Montgomery**

Clinton South Joint Fire District
Clinton County
111 S. Broadway
P.O. Box 63
Midland, Ohio 45148

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 5, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Clinton South Joint Fire District
Clinton County
111 S Broadway
P.O. Box 63
Midland, Ohio 45148

To the Board of Trustees:

We have audited the accompanying financial statements of Clinton South Joint Fire District, Clinton County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 this 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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Clinton South Joint Fire District, Clinton County, as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 December 5, 2006, 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.



Betty Montgomery
Auditor of State

December 5, 2006

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$32,391	\$0	\$32,391
Intergovernmental	3,445	5,000	8,445
Charges for Services	17,461	0	17,461
Miscellaneous	7,048	0	7,048
 Total Cash Receipts	 60,345	 5,000	 65,345
Cash Disbursements:			
Current:			
Security of Persons and Property	37,794	1,241	39,035
Debt Service:			
Redemption of Principal	11,450	0	11,450
Interest	3,050	0	3,050
 Total Disbursements	 52,294	 1,241	 53,535
 Total Receipts Over Disbursements	 8,051	 3,759	 11,810
 Fund Cash Balances, January 1	 30,799	 1,241	 32,040
 Fund Cash Balances, December 31	 \$38,850	 \$5,000	 \$43,850
 Reserves for Encumbrances, December 31	 \$4,943	 \$0	 \$4,943

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

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$31,046	\$0	\$31,046
Intergovernmental	3,362	700	4,062
Charges for Services	27,865	0	27,865
Miscellaneous	6,926	0	6,926
	<u>69,199</u>	<u>700</u>	<u>69,899</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	45,697	2,000	47,697
Debt Service:			
Redemption of Principal	8,429	0	8,429
Interest	1,571	0	1,571
Capital Outlay	109,027	0	109,027
	<u>164,724</u>	<u>2,000</u>	<u>166,724</u>
Total Receipts (Under) Disbursements	<u>(95,525)</u>	<u>(1,300)</u>	<u>(96,825)</u>
Other Financing Receipts:			
Proceeds from Loan	79,027	0	79,027
	<u>79,027</u>	<u>0</u>	<u>79,027</u>
Receipts and Other Financing Receipts (Under) Cash Disbursements	(16,498)	(1,300)	(17,798)
Fund Cash Balances, January 1	47,297	2,541	49,838
Fund Cash Balances, December 31	<u>\$30,799</u>	<u>\$1,241</u>	<u>\$32,040</u>

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

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Clinton South Joint Fire District, Clinton County, Ohio (the District), as a body corporate and politic. A two-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Jefferson Township and Village of Midland. 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 the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash

The District had only one non-interest-bearing checking account during the audit period.

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 accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

This fund accounts for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The District has one Special Revenue Fund which is the Fire Fund.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 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 law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 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

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 follows:

	<u>2005</u>	<u>2004</u>
Checking account	<u>\$43,850</u>	<u>\$32,040</u>

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

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,214	\$60,345	\$13,131
Special Revenue	0	5,000	5,000
Total	\$47,214	\$65,345	\$18,131

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,295	\$57,237	\$10,058
Special Revenue	1,241	1,241	0
Total	\$68,536	\$58,478	\$10,058

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,319	\$148,226	\$88,907
Special Revenue	700	700	0
Total	\$60,019	\$148,926	\$88,907

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,616	\$164,724	(\$58,108)
Special Revenue	3,241	2,000	1,241
Total	\$109,857	\$166,724	(\$56,867)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$58,108 for the year ended December 31, 2004. However, the negative variance in the 2004 General Fund budgetary expenditures was caused by an adjusting entry to record the financing and purchase of a tanker truck that was not originally recorded in the budgetary ledgers.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. 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 owners assess that property. The property owners must file a tangible property list 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, 2005 was as follows:

	Principal	Interest Rate
Tanker Truck Loan	\$59,148	4.50%
Total	\$59,148	

The District entered into a loan with National Bank & Trust for the purchase of a new tanker truck. The loan was entered on May 24, 2004 for \$79,027, maturing on April 30, 2012.

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

Year ending December 31:	Tanker Truck Loan
2006	\$11,868
2007	11,868
2008	11,868
2009	11,868
2010	11,868
2011	11,868
Total	\$71,208

6. RETIREMENT SYSTEMS

The District's employees belong to the Ohio Public Employees Retirement Systems (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS member employees contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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.

8. SUBSEQUENT EVENTS

The District approved refinanced the 2004 debt and received additional funds for a new fire truck for \$85,887 in September 2006. This debt is to be paid semi-annually beginning April 2007 at \$7,593.

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Auditor of State Betty Montgomery

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

Clinton South Joint Fire District
Clinton County
111 S Broadway
P.O. Box 63
Midland, Ohio 45148

To the Board of Trustees:

We have audited the financial statements of the Clinton South Joint Fire District, Clinton County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 5, 2006, 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-004 and 2005-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-004 listed above to be a material weakness. In a separate letter to the District's management dated December 5, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 several instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of as items 2005-001 through 2005-005. In a separate letter to the District's management dated December 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 5, 2006

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding for Recovery

Bob Campbell, Fire Chief, received check # 2337 on August 4, 2006 in the amount of \$300 for expenses related to a fire conference trip. The District does not have policy regarding the reimbursement of travel expenses. The advance of \$300 was not properly supported by receipts for all monies and there was no evidence of remaining funds reimbursed to the Fire District. A reconciliation of the advance and expenses follows:

Description	Amount
Amount Advanced	\$300.00
Receipts Provided related to Conference Attendance	<u>145.51</u>
Total to be Reimbursed	<u>\$154.49</u>

As fire chief, Mr. Campbell was given check #2197 on March 21, 2006 in the amount of \$175 for tools. There was no documentation provided during the audit to support this expenditure.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Bob Campbell, Fire Chief, Vivian Dearth, Clerk/Treasurer, and American Alternative Insurance Corporation, their bonding company, jointly and severally and in favor of the Clinton South Joint Fire District General Fund in the amount of three hundred twenty-nine dollars and forty-nine cents (\$329.49).

FINDING NUMBER 2005-002

Finding for Recovery

Joe Fawley, Former Fire Chief, authorized the purchase of fire equipment from the Public Safety Center on July 20, 2005 and August 16, 2005. Township Officials have indicated that they did not authorize the purchase of this equipment and that it cannot be located. On February 21, 2006, the District clerk issued check # 2175 in the amount of \$2,342.84 for expenses related to this equipment. The following describes the equipment:

**FINDING NUMBER 2005-002
 (Continued)**

Invoice Number	Description	Amount
80361D IN	1 pair of Boots, Fire Rubber Felt Lined – Size 5 Medium (plus shipping)	\$119.85
78625 IN	24 Hoods, Fire King Cobra, Classic Long	599.76
78625 IN	1 Bunker Coat, InnoTex Advance - Medium	803.00
78625 IN	1 Bunker Pants, InnoTex Advance - Medium	587.00
78625 IN	Shipping Related to Invoice 78625 IN	47.28
80361D IN/ 78625 IN	Late Fees	<u>185.95</u>
	Total	<u>\$2,342.84</u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Joe Fawley, former Fire Chief, Vivian Dearth, Clerk/Treasurer, and American Alternative Insurance Corporation, their bonding company, jointly and severally and in favor of the Clinton South Joint Fire District General Fund in the amount of two thousand, three hundred forty-two dollars and eighty-four cents (\$2,342.84).

FINDING NUMBER 2005-003

Finding for Recovery

Scot Spicer, former employee, was given check #2252 on May 16, 2006 in the amount of \$1,370 for “lights on units” per review of the purchase order. No other documentation was attached to this voucher and none provided during the audit.

Two phones are on the Fire District’s cell phone account with Sprint. One is for the clerk and one was for Mr. Spicer. The Fire District would pay the portion of the bill associated with the clerk’s phone and Mr. Spicer was responsible for his portion. Mr. Spicer’s portion of the bill was not paid for several months and Sprint contacted the Clerk regarding the unpaid bill. The Fire District paid check # 2327 on July 27, 2006 in the amount of \$727.86 to Sprint. \$692.27 of this bill was Mr. Spicer’s unpaid portion.

Check #2252 incomplete work	\$1,370.00
Check #2327 cell phone bill	<u>692.27</u>
Total	<u>\$2,062.27</u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

**FINDING NUMBER 2005-003
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Scot Spicer, former employee, Vivian Dearth, Clerk/Treasurer, and American Alternative Insurance Corporation, their bonding company, jointly and severally and in favor of the Clinton South Joint Fire District General Fund in the amount of two thousand sixty-two dollars and twenty-seven cents (\$2,062.27). We recommend that since Mr. Spicer is no longer employed by the District, his phone associated with the Fire District is deactivated.

FINDING NUMBER 2005-004

Material Noncompliance/Material Weakness

Ohio Rev. 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.

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.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 2005-004
(Continued)**

The availability of funds was not certified prior to the time of commitment in 93% of expenditures tested in 2005 and 93% of expenditures tested in 2004, nor did the District use the aforementioned exceptions. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending the District's funds.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Clerk 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.

We recommend the District certify purchases to which section 5705.41 (D) applies. 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.

FINDING NUMBER 2005-005

Material Noncompliance

Ohio Rev. Code, Section 117.38, requires cash-basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The District did not file the 2005 annual report with the Auditor of State, nor was a public notice of the report available for public inspection published. The District also did not file the 2004 annual report until June 24, 2005. We recommend that the District file annual reports as required and within the required time period.

FINDING NUMBER 2005-006

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.

**FINDING NUMBER 2005-006
(Continued)**

- Verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

Proper documentation was not always attached to the vouchers to support the validity of the expenditure; no documentation was presented that disbursements were authorized before payment; and no prior approval of bill payment was noted in the minutes. During our testing of non-payroll disbursements, 20% of the expenditures tested in 2004 and 7% of the expenditures tested in 2005 did not have sufficient detail on the supporting documentation to evaluate whether it was for a proper public purpose. The lack of a system of approvals and documentation significantly increases the probability of expenditures being made that are not for a proper public purpose. Alternative auditing methods were used to determine the legitimacy of the expenditures and findings for recovery were issued for those items not supported by proper documentation.

We recommend that the Clerk attach to the vouchers vendor invoices and supporting documentation including, but not limited to, original itemized invoices of goods and services received and mileage logs to support the validity of the expenditure. District Trustees should institute procedures for the approval of the payment of bills. Vouchers should be signed by both Trustees. No check should be signed, unless it is supported by detailed receipt. By having the voucher signed by two Trustees and requiring a detailed receipt before the check is cut, the District would ensure that the expenditures are properly approved.

The District did not retain supporting documentation for certain receipts and the District did not issue duplicate receipts for certain monies received during the audit period. In 2005, the Fire District lacked supporting documentation for two of seven (29%) miscellaneous receipts and two of eight (25%) charges for services receipts. In 2004, the District lacked supporting documentation for five of eight (63%) miscellaneous receipts and ten of thirty-eight (26%) charges for services receipts. Failure to retain supporting documentation may result in inaccurate financial reporting. The District should issue duplicate receipts to initiate the transaction into the accounting system and enhance the internal control over receipts. During our review, we found a check for EMS service in the District's records that had never been deposited. We recommend that the District Clerk/Treasurer record receipts in the pay-in book as soon as received.

The Fire District does not utilize pre-numbered receipt books for its miscellaneous and charges for services receipts. This could lead to public funds being held for indefinite periods of time and possible misappropriation. Issuing a pre-numbered receipt from a bound book for all monies taken in is a good internal control to ensure all revenue is deposited to the Fire District's account. The District started using the UAN system in 2006, which allows for usage of pre-numbered receipts.

The Fire District provides usage of cell phones, credit card accounts and government-owned vehicles and equipment by authorized employees. The District also provides reimbursement of expenditures related to travel. However, the District does not have any formal policies regarding the above items which could allow the items to be used inappropriately or reimbursements to be disputed. We recommend the District develop formal policies regarding the usage of the items listed above. We also recommend the minutes clearly document the approval and details of these policies. Employees should sign a copy of the policy prior to its usage in order to ensure they understand what is expected of them and what is allowable.

**FINDING NUMBER 2005-006
(Continued)**

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular board meeting, the Clerk/Treasurer should provide Trustees with detailed budget and actual financial statements, cash balances, checks paid, and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

Officials' Response

We did not receive a response from Officials to the findings reported above.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Revised Code § 5705.41(b), expenditures in excess of appropriations	Yes	



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CLINTON SOUTH JOINT FIRE DISTRICT

CLINTON 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 19, 2006**