



Mary Taylor, CPA
Auditor of State

CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY

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Mary Taylor, CPA

Auditor of State

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 16, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton South Joint Fire District
Clinton County
111 S. Broadway
P.O. Box 63
Midland, Oh. 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 year ended December 31, 2006. 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. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 9 to the financial statements, the District has a negative General Fund balance of (\$346) as of December 31, 2006.

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 year ended December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. 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 year ended December 31, 2006 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, 2006, or its changes in financial position for the year 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, 2006, and its combined cash receipts and disbursements 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, 2006. 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 November 16, 2007, 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.



Mary Taylor, CPA
Auditor of State

November 16, 2007

**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, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$32,793	\$0	\$32,793
Intergovernmental	12,604		12,604
Earnings on Investments	6		6
Miscellaneous	<u>2,282</u>		<u>2,282</u>
Total Cash Receipts	<u>47,685</u>	<u>0</u>	<u>47,685</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	19,097		19,097
General Government	47,169		47,169
Debt Service:			
Redemption of Principal	54,556	4,593	59,149
Interest	1,935	407	2,342
Capital Outlay	<u>48,554</u>		<u>48,554</u>
Total Disbursements	<u>171,311</u>	<u>5,000</u>	<u>176,311</u>
Total Receipts Over/(Under) Disbursements	<u>(123,626)</u>	<u>(5,000)</u>	<u>(128,626)</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	85,557		85,557
Other Uses	<u>(1,127)</u>		<u>(1,127)</u>
Total Other Financing Receipts/(Disbursements)	<u>84,430</u>	<u>0</u>	<u>84,430</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,196)	(5,000)	(44,196)
Fund Cash Balances, January 1	<u>38,850</u>	<u>5,000</u>	<u>43,850</u>
Fund Cash Balances, December 31	<u>(\$346)</u>	<u>\$0</u>	<u>(\$346)</u>
Reserves for Encumbrances, December 31	<u>\$661</u>	<u>\$0</u>	<u>\$661</u>

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

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**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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 the 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 Fund

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

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually (except certain agency funds).

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 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 2006 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 and investments. The carrying amount of cash at December 31 follows:

	2006
Demand deposits	<u>(\$346)</u>

Deposits: The bank balance of \$2,870 is insured by the Federal Depository Insurance Corporation

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,706	\$133,242	\$101,536
Special Revenue	0	0	0
Total	\$31,706	\$133,242	\$101,536

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,310	\$173,099	(\$113,789)
Special Revenue	5,000	5,000	0
Total	\$64,310	\$178,099	(\$113,789)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$113,789 for the year ended December 31, 2006. The District did not properly encumber all of its expenditures as required by the Ohio Revised Code. Also contrary to Ohio law, at December 31, 2006, the General Fund had a cash deficit balance of \$346.

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.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tanker and Fire Truck Note	\$85,557	8.50%

The District entered into a loan with the National Bank and Trust for the purchase of a fire truck. The District also had entered into a loan during 2004 for the purchase of a new tanker truck. These two loans were combined on September 13, 2006 and a new note was issued for the debt. The District's taxing authority collateralizes the note.

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

<u>Year ending December 31:</u>	<u>Fire Equipment Note</u>
2007	\$15,186
2008	15,186
2009	15,186
2010	15,186
2011	15,186
2012 – 2014	45,560
Total	\$121,490

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2006, 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. The District remitted the contribution to OPERS, however the check was returned to the District for non-sufficient funds.

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.

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

8. RELATED PARTY

The District made four payments totaling \$655 to Dowap Rod and Custom during the audit period. Dowap Rod and Custom is owned by Dwayne Dearth. Mr. Dearth is the spouse of Vivian Dearth, the former Clerk/Treasurer. The payments were for detailing the fire trucks and air conditioning repair. These expenditures were approved by the officials.

9. SUBSEQUENT EVENTS/FISCAL DISTRESS

The District is experiencing financial difficulties. As of December 31, 2006, the General Fund had a deficit fund balance of three hundred forty six dollars (\$346). The District expended over \$177,438 during 2006, however the District only receipted \$133,242. Checks written to various vendors were returned to the District for non-sufficient funds. The County Auditor advanced funds from property taxes to cover the deficit. As of November 16, 2007, management has not developed plans to address these conditions.

On October 19, 2007, the District disbanded their ambulance run services. The Village of Blanchester will be providing the services to the District. The District's major source of income will be from the fire levy collected by the District for fire and rescue services.

Effective January 1, 2007, the Clerk/Treasurer, Vivian Dearth, resigned her position with the District.

As of October 31, 2007, the District had not maintained a receipt ledger, appropriation ledger or a cash journal to account for the District's financial activity.

10. COMPLIANCE

The District illegally expended public monies pursuant to Ohio Rev. Code Section 117.28.

The District did not properly post funds in accordance with Ohio Rev. Code Section 5705.09.

The District did not retain records in accordance with Ohio Rev. Code Section 149.351.

The District did not maintain an accurate record of their meetings in accordance with Ohio Rev. Code Sections 121.22 and 149.43.

The Officials may consider dissolving the District in accordance with Ohio Rev. Code Section 505.371(D).

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Mary Taylor, CPA

Auditor of State

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 year ended December 31, 2006, and have issued our report thereon dated November 16, 2007, 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 also noted that the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-011.

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.

Our 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 material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 through 2006-007, 2006-009 and 2006-010 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 16, 2007.

Material NonCompliance

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-009. In a separate letter to the District's management dated November 16, 2007, we reported other matters related to noncompliance we deemed immaterial

We intend this report solely for the information and use of management and the District's Trustees. We intend it for no other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 16, 2007

**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Finding for Recovery/Material Weakness

The Board of Trustees appointed Vivian Dearth as Clerk/Treasurer for the District and authorized a salary of \$125 per month. On September 8, 2006, the Trustees passed resolution 090806-2 which authorized the Clerk/Treasurer to receive a salary of \$900 per month beginning September 8, 2006. Payments made to the Clerk were not equal to the amounts authorized by the Trustees. The checks were signed by Vivian Dearth, Dale Cochran and Mindelyn Kuntz, and payments were approved by Dale Cochran and Mindelyn Kuntz. The following table details the authorized salary, payments made to Ms. Dearth and any variances.

	Amount Authorized by the Board of Trustees	Amount Paid	Variance (Over)/Underpayment
January 2006	\$ 125	\$ 125	\$ 0
February 2006	125	125	0
March 2006	125	125	0
April 2006	125	125	0
May 2006	125	125	0
June 2006	125	125	0
July 2006	125	125	0
August 2006	125	125	0
September 2006	900	900	0
October 2006	900	900	0
November 2006	900	2,865	(1,965)
December 2006	900	0	900
TOTAL	<u>\$4,600</u>	<u>\$5,665</u>	<u>(\$1,065)</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.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing acts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ms. Vivian Dearth, former Clerk/Treasurer, Board Trustee Mindelyn Kuntz and Board Trustee Dale Cochran, and their bonding company, the American Alternative Insurance Company, jointly and severally jointly and severally, in the amount of \$1,065 in favor of the Clinton South Joint Fire District's General Fund.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Finding for Recovery/Material Weakness

State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320, provides that expenditures made by a public entity should serve a proper public purpose. McClure indicates that as a general rule, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary and unreasonable. Even if a purchase is reasonable, 1982 Op. Att’y Gen. No. 82-006 indicates that the decision to expend public funds “... must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only.” Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect..

During the audit period, the Board of Trustees approved payment of the bills by signing vouchers. Also, a policy was in place whereby the Trustees signed the check along with the Clerk. Per one of the Trustees, sometimes blank checks would be signed prior to issuance. Certain items were purchased by the Clerk/Treasurer that would not be considered a proper public purpose or were not turned over to the officials when the former Clerk/Treasurer, Vivian Dearth, resigned. The checks were signed by Vivian Dearth, Dale Cochran and former Trustee Carl Sexton.

The District does not own a Hewlett Packard Computer, therefore the items relating to the computer are identified as considered questionable costs. Other reimbursements were identified where the former Clerk/Treasurer used debited funds, rather than actual checks, from the District’s account for personal items purchased and paid for with the District’s funds.

The Trustees approved a policy that the Clerk could buy gas when traveling to training. The gas purchases noted below reflects the amounts allowed and paid for by the District.

Date of Purchase	Items Purchased	Amount Paid
5/1/06	Pepsi products, magazine, snackwells, candy, parking	57.47
6/16/06	Fabric, sewing pattern, t-shirts, swimming goggles, spray paint, miscellaneous items	172.23
4/9/06-10/5/06	Hewlett Packard ink cartridges, Hewlett Packard photo cards, battery backup, 512 MB relay USB	691.71
4/1/06-8/30/06	Gas Purchases	325.96
11/30/2006	Debit card –received cash from bank	646.20
TOTAL		\$1,893.57

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. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

**FINDING NUMBER 2006-002
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the former Clerk Vivian Dearth, former Board of Trustee Carl Sexton, and Board of Trustee Dale Cochran, and their bonding company, the American Alternative Insurance Company jointly and severally, in the amount of \$1,893.57 in favor of the Clinton South Joint Fire District's General Fund.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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. 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.

**FINDING NUMBER 2006-003
(Continued)**

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.

Ninety five percent of the purchases tested were initiated without obtaining the prior certification of the Clerk/Treasurer and were not subsequently approved by the District within the aforementioned 30 day time period. Failure to properly encumber resulted in overspending funds 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 Clerk/Treasurer 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 officials and employees obtain the Clerk/Treasurer'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 Clerk/Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The District should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-004

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The General Fund had expenditures of \$173,099 which exceeded appropriations of \$59,310 by \$113,789.

The management of the District should monitor the budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by the Board of Trustees. By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the District.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-005

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10(H) provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

The District posted property taxes at the net amount instead of the gross amount, debt payments were posted to capital outlay rather than principal and interest payment or not at all, and Homestead and Rollback receipts were posted to taxes rather than intergovernmental receipts. Audit adjustments to correct these errors increased General Fund receipts and disbursements by \$140,960.

Audit adjustments have been posted to the District's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the District. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the District. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over District funds, 2) reduces the Board of Trustee's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Clerk accurately maintain the accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. The District should adopt procedures to properly monitor the District's financial activity.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-006

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.10(H), requires that money paid into any fund shall be used only for the purpose for which such fund is established. At December 31, 2006, the General Fund had a negative fund balance of three hundred forty six dollars (\$346). This deficit balance indicates that the District did not have cash on hand to pay their obligations. We recommend the District adopt procedures to properly monitor fund balances. The District officials should not certify available funds or pay amounts that create deficits.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-007

Material Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code. During the audit period, the District did not provide complete documentation of the following items:

**FINDING NUMBER 2006-007
(Continued)**

- Minutes or resolutions in written form. Minutes were recorded for all meetings, however only four tapes were provided for audit (See Finding 2006-009);
- Documentation relating to debt issues;
- Bank statements for several months;
- Vouchers and supporting documentation for all the District's expenditures.

The District should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-008

Noncompliance Citation/Significant Deficiency

Pursuant to White v. Clinton Cty. Bd. of Comm'rs (1996), 76 Ohio St.3d 416, Ohio Rev. Code Sections 121.22 and 149.43 when read together impose a duty on the District to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. State, ex rel. Fairfield Leader v. Ricketts (1990), 56 Ohio St.3d 97. The following items were noted:

- The District did not document a full and accurate record of their proceedings;
- All of the District's minutes were not presented for audit;
- Financial information was not always presented for approval by the Board;
- Minutes were not signed by the officials attesting to their accuracy.

As the Board of Trustees speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect parliamentary procedures and the actions of the Board of Trustees.

- Minutes should be prepared on a timely basis and presented at the subsequent meeting and approved by the Board Members. All resolutions should be numbered and made a part of a permanent record of proceedings;
- All actions taken by the Board of Trustees should be indexed under proper headings to provide easy access to all resolutions;
- Minutes should be signed by the officials affirming their accuracy and should be maintained in a sequentially numbered book that is permanently bound;
- Each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph for easier reading and referencing;

**FINDING NUMBER 2006-008
(Continued)**

- Review of the annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute record.

Prompt review of the minutes allows the Board of Trustees the ability to make any necessary changes in a timely fashion. Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the Board's actions and would assist in locating specific actions of the Board of Trustees.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-009

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 505.371(D), states, in part, that any municipal corporation or township may withdraw from a joint fire district created under this section, by the adoption of a resolution ordering withdrawal. On or after the first day of January of the year following the adoption of the resolution of withdrawal, the municipal corporation or township withdrawing ceases to be a part of such district, and the power of the district to levy a tax upon taxable property in the withdrawing township or municipal corporation terminates, except that the district shall continue to levy and collect taxes for the payment of indebtedness within the territory of the district as it was comprised at the time the indebtedness was incurred.

Upon the withdrawal of any township or municipal corporation from a joint fire district created under this section, the county auditor shall ascertain, apportion, and order a division of the funds on hand, including funds in the ambulance and emergency medical services fund, moneys and taxes in the process of collection, except for taxes levied for the payment of indebtedness, credits, and real and personal property, either in money or in kind, on the basis of the valuation of the respective tax duplicates of the withdrawing municipal corporation or township and the remaining territory of the joint fire district.

When the number of townships and municipal corporations comprising a joint fire district is reduced to one, the joint fire district ceases to exist by operation of law, and the funds, credits, and property remaining after apportionments to withdrawing municipal corporations or townships shall be assumed by the one remaining township or municipal corporation. When a joint fire district ceases to exist and an indebtedness remains unpaid, the board of county commissioners shall continue to levy and collect taxes for the payment of that indebtedness within the territory of the joint fire district as it was comprised at the time the indebtedness was incurred.

The District previously maintained an emergency medical services contract with Jefferson Township to provide emergency run services to the District's citizens. The District received \$16,000 during 2005 to provide the emergency run services, however the contract was not renewed in 2006 between the two parties. As a result, the District did not receive any contract fees from Jefferson Township. In addition, the District did not have properly running emergency transportation so the District relied on the Village of Blanchester to provide the emergency run services.

**FINDING NUMBER 2006-009
(Continued)**

In October 19, 2007, the District elected to eliminate emergency run services to the District's citizens. Instead, these services will be provided by the Village of Blanchester. As a result, the District will no longer be eligible to receive contract fees from Jefferson Township. The contract fees accounted for 34 percent of the General Fund's revenue.

If the Board is unable to fulfill their responsibilities then the Board may want to consider the option of dissolving the District. We recommend the officials' review their options to determine if the District should continue to provide services to the District's citizens.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-010

Material Weakness

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

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

The small size of the District does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that the Board of Trustees monitor financial activity.

The Board of Trustees was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual and bank reconciliations were not presented to Board of Trustees for their review;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet to support the validity of the expenditure;

**FINDING NUMBER 2006-010
(Continued)**

- The minute record did not include all significant actions taken by Board of Trustees;
- Expenditures were posted to improper funds;
- Reconciliations were not performed on a timely basis;
- The Trustees did not review and approve the monthly reconciliations;
- Late payment fees were paid on bills.

The lack of timely financial reports and accurate fund balances significantly reduces Board of Trustees' ability to monitor the District's financial position. In addition, the lack of control over expenditures resulted in payment for goods/services not received by the District and overpayment of salaries. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the District's internal control structure and reduce the likelihood of undetected errors, we recommend the District officials and management implement the following controls:

- Monthly budget and actual financial reports be prepared and submitted to the Board of Trustees. This submission should occur prior to the regular District meetings so that Board members have an opportunity to review the information and ask informed questions at the meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;
- The District checks are signed by the Clerk/Treasurer and the two Board members and written in sequential order. Prior to signing the checks, the Board member should agree the vendor name and amount on the check to the invoice;
- Record voided checks as such and not reassign check number to another expenditure;
- Vouchers packets should be maintained in numerical sequence;
- The Board of Trustees should ensure that bills be paid on a timely basis to avoid late charges;

**FINDING NUMBER 2006-010
(Continued)**

- Minutes of the District's meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by the Board of Trustees during those meetings. For each regular meeting, the Clerk should provide the Board of Trustees members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Reconciliations should be prepared on a monthly basis and reviewed and approved by the officials;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-011

Significant Deficiency

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

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed; and
- Verifying the existence and the valuation of assets and liabilities and periodically reconciling them to the accounting records.

During 2004, the District collected \$27,865 in charges for services for ambulance runs and \$17,461 in charges for services for ambulance runs during 2005, however during 2006 the District did not receive any monies for charges for services. Medicount Management, a billing service company, billed and collected money for ambulance services provided by the District. Medicount Management remitted the money collected for ambulance runs to the District. During 2006, the District's personnel did not file ambulance run reports with Medicount Management for processing. Upon further investigation, the District's personnel stated that they did not have the paperwork up-to-date with the Ohio State Fire Marshal; therefore they were unable to provide ambulance services during 2006. In addition, the District's ambulance was not always in working order, as a result they could not provide ambulance service to the citizens. We noted that the Village of Blanchester provided ambulance services to the District during 2006.

**FINDING NUMBER 2006-011
(Continued)**

We recommend the District obtain the proper certification to provide ambulance services to the citizens. The District's vehicles should be repaired and maintained in proper working order. Once these obstacles have been overcome then we recommend that the proper ambulance run reports be submitted to the billing agency for processing. After reports have been submitted to the billing agency, we recommend the District establish procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected. The District should reconcile the ambulance runs to the amounts invoiced by the billing agency. By reconciling the billing and receipt cycle, the District may reduce the risk of duplicate invoices or missing invoices and nonpayment of invoices.

Officials' Response

We did not receive a response from Officials to this finding.

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**CLINTON SOUTH JOINT FIRE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code, 117.28, a Finding for Recovery issued against the Fire Chief in the amount of \$154.49.	Yes	The Finding was repaid on February 21, 2007.
2005-002	The Ohio Rev. Code, Section 117.28, a Finding for Recovery was issued against Joe Fawley, former Fire Chief for unauthorized purchases that were unaccounted for.	No	
2005-003	The Ohio Rev. Code, Section 117.28, a Finding for Recovery was issued against Scot Spicer, former employee, for unauthorized cell phone usage and incomplete work that was paid to him.	No	
2005-004	Ohio Rev. Code Section 5705.41 (D), funds were not properly certified or encumbered prior to commitment.	No	Reissued as Finding 2006-003.
2005-005	Ohio Rev. Code Section 117.38, the District did not file an annual financial report.	No	Reissued in the Management Letter.
2005-006	Management had internal control weaknesses over the expenditures and receipts.	No	Issued as Finding 2006-011.



Mary Taylor, CPA
Auditor of State

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
APRIL 8, 2008**