



Dave Yost • Auditor of State

**NORTHWEST FIRE & AMBULANCE DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
P.O. Box 66
New Paris, Ohio 45347

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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 adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

August 17, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
P.O. Box 66
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the accompanying financial statements of Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Northwest Fire and Ambulance District, Preble County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Northwest Fire and Ambulance District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 17, 2012

**NORTHWEST FIRE & AMBULANCE DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$161,009		\$161,009
Charges for Services	36,814	\$140,671	177,485
Intergovernmental	44,413		44,413
Earnings on Investments	361		361
Miscellaneous	3,009		3,009
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	245,606	140,671	386,277
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
General Government	109,209		109,209
Public Safety	37,992	135,691	173,683
Capital Outlay	88,216		88,216
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	235,417	135,691	371,108
	<hr/>	<hr/>	<hr/>
Excess Receipts Over (Under) Disbursements	10,189	4,980	15,169
	<hr/>	<hr/>	<hr/>
Net Change in Fund Cash Balance	10,189	4,980	15,169
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	284,906	125,976	410,882
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31			
Restricted		130,956	130,956
Unassigned (Deficit)	295,095		295,095
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$295,095</u>	<u>\$130,956</u>	<u>\$426,051</u>

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

**NORTHWEST FIRE & AMBULANCE DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$161,956		\$161,956
Charges for Services	26,725	\$138,053	164,778
Intergovernmental	49,450		49,450
Earnings on Investments	397		397
Miscellaneous	1,570		1,570
Total Cash Receipts	240,098	138,053	378,151
Cash Disbursements:			
General Government	123,323		123,323
Public Safety	30,935	121,673	152,608
Capital Outlay	25,000		25,000
Total Cash Disbursements	179,258	121,673	300,931
Excess Receipts Over Disbursements	60,840	16,380	77,220
Fund Cash Balances, January 1	224,066	109,596	333,662
<i>Fund Cash Balances, December 31</i>	<u>284,906</u>	<u>125,976</u>	<u>410,882</u>

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northwest Fire and Ambulance District, Preble County, Ohio (the District), as a body corporate and politic. A five-member Board of Trustees governs the District. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District was organized under Ohio Revised Code Section 505.375.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Deposits

The District maintains a checking account.

D. Fund Accounting

The District uses fund accounting to segregate cash and deposits that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

This fund accounts for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

MCA Fund - This fund is used to account for fees received from the District's billing company, Managed Care of America, for emergency medical services and related expenditures.

E. Budgetary Process

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

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

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The District had no fund balances in this category at December 31, 2011.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The District had no fund balances in this category at December 31, 2011.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute. The District had no fund balances in this category at December 31, 2011.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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 Deposits

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$426,051	\$410,882

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District by a letter of credit.

Contrary to Ohio law, between June 2010 and November 2010, deposits at Eaton National Bank were not insured or collateralized in ranges from \$123,529 to \$215,415.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$168,979	\$245,606	\$76,627
Special Revenue	140,671	140,671	0
Total	\$309,650	\$386,277	\$76,627

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$235,417	(\$235,417)
Special Revenue	0	135,691	(135,691)
Total	\$0	\$371,108	(\$371,108)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,597	\$240,098	\$68,501
Special Revenue	138,053	138,053	0
Total	\$309,650	\$378,151	\$68,501

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$263,883	\$179,258	\$84,625
Special Revenue	166,380	121,673	44,707
Total	\$430,263	\$300,931	\$129,332

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and MCA funds by \$235,417 and \$135,691 respectively for the year ended December 31, 2011.

The District did not appropriate funds for 2011.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

4. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Retirement Systems

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS participants contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2011.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. Most of the District's part-time firefighters have elected Social Security. The employees' liability is 6.2% of wages paid.

6. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
P.O. Box 66
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the financial statements of Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 17, 2012 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 adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-02 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 17, 2012.

We intend this report solely for the information and use of management, the Trustees, and others within the District. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

August 17, 2012

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Material Weakness

The District should maintain accounting records sufficient to enable management to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The District lacks management oversight over accounting and reconciliation processes, and the related financial reporting. This lack of oversight is illustrated by the following conditions:

- The annual reports did not agree to the cash journals, appropriations ledgers, or revenue ledgers;
- The annual reports did not agree to the cash reconciliations;
- The cash reconciliations were not completed properly and thus, the District was not reconciled (at December 31, 2010 and December 31, 2011 the variance between the bank account and the District ledgers was \$125, with the bank balance higher than the book balance);
- Numerous disbursements were not included on the annual report for 2010 totaling \$2,217 in the General Fund and \$1,697 in the MCA Fund, including two disbursements that were never recorded in either the cash journal or appropriations ledger in the amount of \$124;
- Several outstanding checks were dropped from the outstanding check list in both 2010 and 2011, but never cleared the bank;
- One receipt in 2011 was not recorded in the revenue ledger, cash journal, and thus not included on the annual report in the amount of \$141;
- One receipt in 2010, totaling \$2,000 in the General Fund, was posted as Intergovernmental Revenue and should have been posted as Miscellaneous Revenue;
- Disbursements totaling \$25,000 in the General Fund were moved from Public Safety to Capital Outlay in 2010;
- Disbursements in the General Fund totaling \$78,956 and \$9,260 were moved from General Government and Public Safety respectively to Capital Outlay.

The District posted the necessary adjustments to the financial statements and District ledgers for the above items, including the \$125 variance on the reconciliation. This adjustment was done because the District carried this difference since 2009.

Due care should be taken in posting activity to the District's ledgers. Total receipts and expenditures per the cash journals should match the activity posted to the revenue and appropriation ledgers which should match the activity on the bank statements. Completing a monthly reconciliation of activity posted would aid in detecting posting errors.

**FINDING NUMBER 2011-01
(Continued)**

Due care should be taken in completing the annual financial reports. The receipts and expenditures as reported on the annual financial reports should match the activity posted to the District's accounting system. The District should adopt policies/procedures for the review of activity posted to the accounting records and reported on the annual financial reports.

FINDING NUMBER 2011-02

Noncompliance

Ohio Revised Code, § 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The District failed to approve appropriations during 2011 and failed to file appropriations with the County Auditor. Failure to approve appropriations may result in overspending and negative fund balances. Appropriations are not effective unless certified by the County Auditor.

Ohio Revised Code, § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The District did not approve or file supplemental appropriations with the County Auditor for fiscal year 2011, therefore during 2011 the General Fund and MCA Special Revenue Fund had expenditures exceeding appropriations by \$235,417 and \$135,691 respectively. Failure of the District to approve and file appropriations does not allow for the District officials to monitor its budgetary position.

We recommend that the District approve and file appropriations timely at the beginning of each fiscal year and that the Clerk deny any payments until the legislative authority has passed the necessary appropriation measure.

FINDING NUMBER 2011-03

Noncompliance

Ohio Revised Code, § 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.

**FINDING NUMBER 2011-03
(Continued)**

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

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of 24 expenditures tested, five or 21percent (one in 2010 and four in 2011) were not properly certified. Additionally, the blanket certificates did not include the fiscal officer's certification. Failure to properly certify the availability of funds may result in overspending funds and negative cash fund balances.

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 fiscal officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2011-04

Noncompliance

Ohio Revised Code, § 135.18(A), states, that the treasurer before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Due to improper monitoring of depository collateral, the District did not adequately collateralize their deposits at Eaton National Bank from June 2010 through November 2010. Deposits exceeded legal security in amount ranging from \$123,529 to \$215,415. Failure to adequately collateralize deposits could result in loss of public funds in the event of a bank failure. We recommend that the District implement procedures to verify that depository balances are adequately secured by eligible collateral at all times. The District obtained \$250,000 of additional collateral from Eaton National Bank on December 31, 2010.

Officials' Response:

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Admin. Code 117-2-02 C(1) requires the integration of budgetary accounts in the financial system.	Yes	
2009-002	Ohio Rev. Code 505.375, 505.371(C)(1) and (C)(3) require a separate fund for charges for ems services.	Yes	
2009-003	Ohio Rev. Code 5705.41(D)(1) Certification of Expenditures	No	Not Corrected – Repeated as Finding 2011-03

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Dave Yost • Auditor of State

NORTHWEST FIRE AND AMBULANCE DISTRICT

PREBLE 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
SEPTEMBER 11, 2012**