



Mary Taylor, CPA
Auditor of State

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

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Mary Taylor, CPA

Auditor of State

Clinton-Warren Joint Fire and Rescue District
Clinton County
P.O. Box 211
82 Springhill Road
Clarksville, Ohio 45113

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.

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Mary Taylor, CPA
Auditor of State

January 11, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton-Warren Joint Fire and Rescue District
Clinton County
P.O. Box 211
82 Springhill Road
Clarksville, Ohio 45113

To the Board of Trustees:

We have audited the accompanying financial statements of the Clinton-Warren Joint Fire and Rescue District, Clinton County, Ohio (the District), for the period October 27, 2003 through December 31, 2003 and as of and for the years ended December 31, 2004 and 2005. 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, 2004 (and 2003), 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 fund cash balances and reserves for encumbrances of the Clinton-Warren Joint Fire and Rescue District, Clinton County, Ohio as of December 31, 2005, 2004 and 2003, and its cash receipts and disbursements for the period October 27, 2003 through December 31, 2003 and the years ended December 31, 2004 and 2005 on the accounting basis Note 1B 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 January 11, 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

January 11, 2007

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$239,322		\$239,322
Intergovernmental	55,964		55,964
Charges for Services	9,028	\$20,712	29,740
Donations	1,212		1,212
Interest Income	6,211		6,211
Miscellaneous	4,532		4,532
	<u>316,269</u>	<u>20,712</u>	<u>336,981</u>
Cash Disbursements:			
Current:			
General Government	49,916	4,276	54,192
Public Safety	40,687		40,687
Capital Outlay	358,698		358,698
	<u>449,301</u>	<u>4,276</u>	<u>453,577</u>
Total Receipts Over/(Under) Disbursements	<u>(133,032)</u>	<u>16,436</u>	<u>(116,596)</u>
Other Financing Receipts:			
Debt Proceeds	281,614		281,614
	<u>281,614</u>	<u>0</u>	<u>281,614</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	148,582	16,436	165,018
Fund Cash Balances, January 1	93,858	7,729	101,587
Fund Cash Balances, December 31	<u>\$242,440</u>	<u>\$24,165</u>	<u>\$266,605</u>
Reserves for Encumbrances, December 31	<u>\$203,444</u>	<u>\$0</u>	<u>\$203,444</u>

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

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Intergovernmental	\$111,200		\$111,200
Charges for Services	77,016	\$9,449	86,465
Donations	3,890		3,890
Interest Income	594		594
Miscellaneous	3,081		3,081
	<u>195,781</u>	<u>9,449</u>	<u>205,230</u>
Cash Disbursements:			
Current:			
General Government	31,573	1,720	33,293
Public Safety	26,919		26,919
Capital Outlay	118,516		118,516
	<u>177,008</u>	<u>1,720</u>	<u>178,728</u>
Total Receipts Over Disbursements	<u>18,773</u>	<u>7,729</u>	<u>26,502</u>
Other Financing Receipts:			
Proceeds from Sale of Capital Assets	600		600
	<u>600</u>	<u>0</u>	<u>600</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	19,373	7,729	27,102
Fund Cash Balances, January 1	74,485	0	74,485
Fund Cash Balances, December 31	<u>\$93,858</u>	<u>\$7,729</u>	<u>\$101,587</u>
Reserves for Encumbrances, December 31	<u>\$5,477</u>	<u>\$0</u>	<u>\$5,477</u>

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

CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE PERIOD OCTOBER 27, 2003 THROUGH DECEMBER 31, 2003

	<u>General</u>
Cash Receipts:	
Intergovernmental	\$71,166
Charges for Services	22,003
Donations	480
Miscellaneous	195
	<hr/>
Total Cash Receipts	93,844
	<hr/>
Cash Disbursements:	
Current:	
General Government	14,871
Public Safety	4,393
Capital Outlay	95
	<hr/>
Total Disbursements	19,359
	<hr/>
Total Receipts Over Disbursements	74,485
Fund Cash Balances, October 27	0
	<hr/>
Fund Cash Balances, December 31	<u><u>\$74,485</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,721</u></u>

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

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**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003**

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-Warren Joint Fire and Rescue District, Clinton County, Ohio (the District), as a body corporate and politic. The District was formed on October 27, 2003. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Each year a member-at-large is appointed by one of the political subdivisions within the District. The authority to appoint the member-at-large is rotated annually between the political subdivisions within the District.

The political subdivisions which comprise the District are the Village of Clarksville, Clinton County; Vernon Township, Clinton County; part of Adams Township, Clinton County and part of Washington Township, Warren County. The District provides fire protection and rescue services within the District.

The District's management believes these financial statements present all activities for which the District is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 8 to the financial statements describes these assets.

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 Deposits

The District funds are deposited in a checking account with a local commercial bank. All interest earned is credited to the General Fund with no restrictions.

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.

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Rescue and Fire Billing Fund – This fund receives billing collections for services provided to non-District residents and is utilized to support the fire protection and rescue services provided by the District.

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 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 use the encumbrance method of accounting. Management has included audit adjustments in the accompanying financial statements and budgetary presentations for material items that should have been encumbered.

A summary of 2005, 2004 and 2003 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.

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH DEPOSITS

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

	2005	2004	2003
Demand deposits	\$266,605	\$101,587	\$74,485

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 and the period ended December 31, 2003 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$597,883	\$597,883	\$0
Special Revenue	20,712	20,712	0
Total	\$618,595	\$618,595	\$0

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$449,966	\$652,745	(\$202,779)
Special Revenue	4,276	4,276	0
Total	\$454,242	\$657,021	(\$202,779)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,916	\$196,381	(\$2,535)
Special Revenue	9,449	9,449	0
Total	\$208,365	\$205,830	(\$2,535)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$179,543	\$182,485	(\$2,942)
Special Revenue	1,720	1,720	0
Total	\$181,263	\$184,205	(\$2,942)

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,844	\$93,844	\$0
Special Revenue	0	0	0
Total	\$93,844	\$93,844	\$0

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,359	\$21,080	(\$1,721)
Special Revenue	0	0	0
Total	\$19,359	\$21,080	(\$1,721)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by (\$202,779) for the year ended December 31, 2005, (\$2,942) for the year ended December 31, 2004 and (\$1,721) for the period October 27, 2003 through December 31, 2003.

Also, contrary to Ohio law, the District did not use the encumbrance method of accounting.

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.

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

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
Certificates of Participation	\$1,245,000	4.7-4.9%
Pumper Truck Lease-Purchase	196,681	4.34%
Total	\$1,441,681	

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

On December 28, 2003, the District accepted the assignment of a lease-purchase agreement, held by Kansas State Bank of Manhattan, from the Village of Clarksville. The lease-purchase agreement is for the use and acquisition of a Fire Pumper Truck. Expenditures related to the lease-purchase agreement for the Fire Pumper Truck are classified as Capital Outlay on the accompanying financial statements.

The District entered into a Renewable Lease-Purchase agreement for the construction and use of a new Fire House. The agreement was dated October 1, 2005 and is between the District, as the lessee, and Ohio Township Association Leasing, as the initial lessor. The lessor subsequently assigned all rights, title and interests to the Bank of New York Trust Company as the trustee. The Lease-Purchase agreement and the financing by the lessor of the Project is a part of a financing program utilizing Certificates of Participation, Series 2005E, which were issued simultaneously with the agreement. These obligations are issued under the authority of Chapter 505 of the Ohio Revised Code, particularly Sections 505.267 and 505.375.

The total principal payments due on the Lease-Purchase agreement for the construction and use of a new Fire House as of December 31, 2005, totals \$1,245,000. As of December 31, 2005, the construction of the Fire House was not complete. The District has only drawn down \$281,614 in proceeds from the lease-purchase acquisition fund. These proceeds are reflected on the accompanying financial statements as Other Financing Sources- Debt Proceeds. The acquisition fund held by the custodian is discussed further in Note 8. Expenditures related to repayment of the Certificates of Participation (interest only payment made during the year ended December 31, 2005) are classified as Capital Outlay on the accompanying financial statements.

Amortization of the above debt, including interest, administration fees, and fiduciary fees, assumes that the District will drawdown the entire \$1,245,000 in certificates of participation proceeds, and is scheduled as follows:

Year ending December 31:	Certificates of Participation	Pumper Truck Lease- Purchase	Totals
2006	\$80,186	\$29,627	\$109,813
2007	80,366	29,627	109,993
2008	79,508	29,627	109,135
2009	79,650	29,627	109,277
2010	79,753	29,627	109,380
2011 - 2015	399,995	88,881	488,876
2016 - 2020	399,991		399,991
2021 - 2025	401,186		401,186
2026 - 2030	398,976		398,976
2031 - 2035	400,142		400,142
Total	<u>\$2,399,753</u>	<u>\$237,016</u>	<u>\$2,636,769</u>

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004 AND 2003
(Continued)**

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. 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.

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. CUSTODIANS OF OTHER DISTRICT ASSETS

Custodians maintain the following debt service trust funds, as legally required. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

The agreements related to the Renewable Lease-Purchase agreement and related Certificates of Participation, 2005E for the construction and use of a new Fire House required establishment of multiple acquisition and debt service trust funds. The District represents the Lessee, the Ohio Township Association Leasing, LLC represents the initial lessor, who subsequently assigned all rights, title and interests to the Bank of New York Trust Company as the trustee. The lessee acquisition fund is held by the Bank of New York Trust Company, a custodian bank. As of December 31, 2005, the lessee acquisition fund totaled \$942,099.

9. SUBSEQUENT EVENTS

Fire House Construction

Additional draw-downs were made from the lease-purchase acquisition fund, held by the trustee, and used to finance the construction of a new Fire House. During the period January 1, 2006 to June 30, 2006 draw-downs totaled \$951,687. This amount exceeds the balance in the fund at December 31, 2005 because the amounts held in trust earned dividends in 2006. The acquisition fund held by the custodian is discussed further in Note 8.

Intergovernmental Revenue

Intergovernmental Revenue of approximately \$10,000, representing the State's distribution of homestead and rollback revenue, should have been received by the District in 2005, however the funds were erroneously distributed to Warren County by the State. Warren County anticipates distributing the revenue to the District in January, 2007.



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-Warren Joint Fire and Rescue District
Clinton County
P.O. Box 211
82 Springhill Road
Clarksville, Ohio 45113

To the Board of Trustees:

We have audited the financial statements of the Clinton-Warren Joint Fire and Rescue District, Clinton County, Ohio (the District), for the period October 27, 2003 through December 31, 2003 and as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated January 11, 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 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated January 11, 2007, we reported other matters related to noncompliance we deemed immaterial.

Clinton-Warren Joint Fire and Rescue District
Clinton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 11, 2007

**CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005, 2004 AND 2003**

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

Noncompliance Citation

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. 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.

The District did not certify the availability of funds for purchase commitments for any non-payroll transactions posted during 2005, 2004 or 2003. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001
 (Continued)**

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 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 that the District implement an encumbrance system that will permit the District's officials and employees to 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 District should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

All expenditures for each year under audit were approved by the fire chief and by the clerk prior to disbursement of the funds. Further, each expenditure was presented to the board and approved by board vote prior to any disbursement of funds. The list of pre-approved expenditures is included with the board minutes each month. It is true that the "Then and Now" verbiage is not stamped on each list of board approved disbursements and that a formal Resolution number was not assigned to the board action. At no time were District funds overspent. At no time did the District ever have a negative cash balance.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. The District's budgetary expenditures (including contract commitments) exceeded appropriations at the fund level in the General Fund as follows:

December 31:	Appropriations	Budgetary Expenditures	Variance
2005	\$449,966	\$652,745	(\$202,779)
2004	179,543	182,485	(2,942)
2003	19,359	21,080	(1,721)

The variances are primarily due to outstanding commitments not being encumbered or appropriated by the District as of December 31st. The District should implement procedures to provide for the appropriation and encumbrance of outstanding commitments.

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

Officials' Response:

The amounts indicated below primarily represent outstanding commitments at the end of each fiscal year. All of these expenditures were appropriated and disbursed in the subsequent fiscal year. For each subsequent year, the Board approved appropriations prior to disbursement of these funds.

The \$1,721, as of December 31, 2003, was appropriated and disbursed in 2004.

The \$2,942, as of December 31, 2004, was appropriated and disbursed in 2005.

The \$202,779, as of December 31, 2005, was appropriated and disbursed in 2006.



Mary Taylor, CPA
Auditor of State

CLINTON-WARREN JOINT FIRE AND RESCUE 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
JANUARY 25, 2007