



Dave Yost • Auditor of State

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

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Dave Yost • Auditor of State

West Elkton Gratis Township Fire District
Preble County
11552 State Route 122
Camden, Ohio 45311

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

April 5, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

West Elkton Gratis Township Fire District
Preble County
11552 State Route 122
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of the West Elkton Gratis Township Fire 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, 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 West Elkton Gratis Township Fire 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 April 5, 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 "Y" and "O".

Dave Yost
Auditor of State

April 5, 2012

**WEST ELKTON GRATIS TOWNSHIP FIRE 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$59,500	\$1,429	\$60,929
Earnings on Investments	13		13
Miscellaneous	2,012		2,012
 Total Cash Receipts	 61,525	 1,429	 62,954
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property	5,883		5,883
Salaries and Wages	3,200		3,200
General Government	19,784		19,784
Equipment	9,582		9,582
Capital Outlay		2,069	2,069
Debt Service:			
Redemption of Principal	14,225		14,225
Interest and Other Fiscal Charges	11,294		11,294
 Total Cash Disbursements	 63,968	 2,069	 66,037
 Excess Receipts (Under) Disbursements	 (2,443)	 (640)	 (3,083)
 Fund Cash Balances, January 1	 20,811	 911	 21,722
Fund Cash Balances, December 31			
Restricted		271	271
Unassigned (Deficit)	18,368		18,368
 <i>Fund Cash Balances, December 31</i>	 \$18,368	 \$271	 \$18,639

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

**WEST ELKTON GRATIS TOWNSHIP FIRE 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$60,857	\$38,127	\$98,984
Earnings on Investments	14		14
Miscellaneous	2,526		2,526
 Total Cash Receipts	 63,397	 38,127	 101,524
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property	5,833		5,833
Salaries and Wages	2,400		2,400
General Government	21,858		21,858
Equipment	5,941		5,941
Capital Outlay		37,216	37,216
Debt Service:			
Redemption of Principal	13,549		13,549
Interest and Other Fiscal Charges	10,755		10,755
 Total Cash Disbursements	 60,336	 37,216	 97,552
 Excess Receipts Over Disbursements	 3,061	 911	 3,972
 Fund Cash Balances, January 1	 17,750	 0	 17,750
 Fund Cash Balances, December 31	 \$20,811	 \$911	 \$21,722

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

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 West Elkton Gratis Township Fire District, Preble County, Ohio (the District), as a body corporate and politic. A five-member Board of Trustees governs the District. Four of the board members are appointed by the political subdivisions within the District. Those political subdivisions are the Village of West Elkton and Gratis Township. The board members representing the Village of West Elkton and Gratis Township appoint the fifth board member. 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.

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 has a checking account. Interest earned is recognized and recorded when received.

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

2. Special Revenue Funds

These funds account 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:

FEMA Fund – This fund received money from a federal grant for the purchase of firefighting equipment.

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

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. The District did not use the encumbrance method of accounting. However, the District had no material outstanding encumbrances as of December 31, 2011 or 2010.

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

F. Fund Balance

For December 31, 2011, 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.

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.

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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 Cash and Deposits

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

	2011	2010
Demand deposits	<u>\$18,640</u>	<u>\$21,722</u>

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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		\$61,525	\$61,525
Special Revenue		1,429	1,429
Total	\$0	\$62,954	\$62,954

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$63,968	(\$63,968)
Special Revenue		2,069	(2,069)
Total	\$0	\$66,037	(\$66,037)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$63,397	\$63,397
Special Revenue		38,127	38,127
Total	\$0	\$101,524	\$101,524

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$60,336	(\$60,336)
Special Revenue		37,216	(37,216)
Total	\$0	\$97,552	(\$97,552)

Contrary to Ohio law, the District did not adopt operating budgets for 2010 and 2011. The District did not certify available revenue for 2010 and 2011. No appropriations measures were adopted for 2010 and 2011. Expenditures were not appropriated during the audit period. The District did not utilize the encumbrance method of accounting.

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

4. Fire District Funding

The Fire District receives funding from the Village of West Elkton and Gratis Township. The funding is derived from the fire levy money received by the Village of West Elkton and Gratis Township. Payments are made semi-annually to the Fire District after the Village and the Township receive their tax distribution from the Preble County Auditor.

5. Lease

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
2006 Rosenbauer/2005 Simon Pumpers Lease	\$187,764	4.99%

The District leased the 2006 Rosenbauer and the 2005 Simon Pumpers with a purchase option. The lease is collateralized by the pumpers. The purchase option at December 31, 2011 was \$191,372.

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

	2006 Rosenber/2005 Simon Pumper
Year ending December 31:	
2012	\$24,304
2013	24,304
2014	24,304
2015	24,304
2016	24,304
2017-2021	121,522
Total	\$243,042

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.

7. Noncompliance

Contrary to the Ohio Administrative Code, the District did maintain required accounting journals and ledgers. Contrary to the Ohio Revised Code, the District did not establish a FEMA fund.

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

West Elkton Gratis Township Fire District
Preble County
11552 State Route 122
Camden, Ohio 45311

To the Board of Trustees:

We have audited the financial statements of the West Elkton Gratis Township Fire 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 April 5, 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*. 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2011-02, 2011-05, and 2011-08 to be 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 to 2011-07.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 5, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

April 5, 2012

**WEST ELKTON GRATIS TOWNSHIP FIRE 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 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.

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 100% of both 2010 and 2011 expenditures and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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. Invoices lacking a date should be dated by the Fiscal Officer when received.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The Board made the decision not to use purchase orders.

FINDING NUMBER 2011-02

Material Noncompliance/Material Weakness

Ohio Administrative Code, 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient 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. Pursuant to division (D) of this section, accounting records that can help achieve these objectives include:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The District did not maintain a receipt ledger or appropriations ledger.

We recommend the District maintain a receipts ledger and appropriation ledger. We also recommend the District reconcile the ledgers to the bank on a monthly basis and that a Board member review and sign off on the reconciliation, indicating approval and timeliness of reconciliations. Implementation of these procedures may help add a substantial measure of control to the receipt and expenditure process, as well as help provide assurance that the activity is properly handled and fairly presented on the District's ledgers and financial reports.

Officials' Response:

1. A receipts ledger has been established to record the classifications of each fund into separate accounts.
2. An appropriation ledger has been established. Since May 2011, I have had Sharon Bates, Board Member, do the bank reconciliation monthly. I will have a qualified person verify the bank statements and expenditures.

FINDING NUMBER 2011-03

Material Noncompliance

Ohio Revised Code, § 5705.28(B)(2)(b), states, in part, that except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code. These sections separately require the District to, in part: certify beginning balances on or about the first day of each fiscal year; certify revenue available for appropriation; adopt appropriations within available resources; certify the availability of funds prior to incurring obligation; and limit expenditures to appropriations for each fund. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Ohio Revised Code, § 5705.36(A)(1), provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The District did not prepare documentation showing the total amount from all sources available for expenditures from each fund. Failure to prepare the required documentation resulted in overspending funds and negative fund cash balances.

We recommend that the District annually prepare documentation showing the total amount from all sources.

Officials' Response:

The required certifying to the County Auditor has been completed for 2012.

FINDING NUMBER 2011-04

Material Noncompliance

Ohio Revised Code, Section 5705.38(A), provides that on or about the first day of each fiscal year, an appropriation measure is to be passed. The District did not pass appropriation measures for 2010 or 2011. Failure to pass appropriation measures could result in overspending and negative fund cash balances. We recommend that the District pass annual appropriation measures.

Officials' Response:

The required certifying to the County Auditor has been completed for 2012.

FINDING NUMBER 2011-05

Material Noncompliance/Material Weakness

Ohio Revised Code, Section 5705.09(F), requires the District to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the District's appropriations.

**FINDING NUMBER 2011-05
(Continued)**

The Clerk failed to establish a separate fund to account for a grant received from the Federal Emergency Management Agency (FEMA).

The Fiscal Officer did not record monies received from a FEMA grant during 2010 and 2011. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$38,127 and \$37,216, respectively, for the year ended December 31, 2010, and receipts and disbursements of \$1,429 and \$2,069, respectively, for the year ended December 31, 2011.

Failure to record these items can result in misleading financial statements. We recommend that the District follow the accounting treatment as prescribed in Auditor of State Bulletin 1998-013 for FEMA grants.

Officials' Response:

Previous FEMA funds received prior to appointment of Clerk on May 1, 2011 records were not available. The required FEMA balance as of January 1, 2012 will be established and all transactions recorded to this account.

FINDING NUMBER 2011-06

Material Noncompliance

Ohio Revised Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been properly appropriated. The District did not appropriate expenditures for 2010 or 2011. Failure to appropriate expenditures could result in overspending and a negative fund cash balance. We recommend that the District appropriate all expenditures.

Officials' Response:

Refer to Finding 2011-02 response.

FINDING NUMBER 2011-07

Material Noncompliance

Ohio Revised Code, Section 5705.28(B)(2)(a), states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The District is not required to file the operating budget with the county auditor or the county budget commission. The District did not adopt operating budgets for 2010 or 2011. Failure to adopt operating budgets could result in overspending and a negative fund cash balance. We recommend that the District adopt an annual operating budget.

**FINDING NUMBER 2011-07
(Continued)**

Officials' Response:

A current operating budget for 2012 was filed with the Preble County Auditor.

FINDING NUMBER 2011-08

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, plan for adequate segregation of duties or compensating controls, verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, perform analytical procedures to determine the reasonableness of financial data, and ensure the collection and compilation of the data needed for the timely preparation of financial statements.

Lack of internal controls increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We noted the following weaknesses in the District's accounting and financial reporting:

- The small size of the District's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. The weakness of this system is that it allows for potential diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.
- The District completes monthly cash reconciliations. However, they are not reviewed by anyone in a supervisory position.
- Receipts were not identified with a receipt number, receipt date or in many instances a receipt description. The District does not issue pre-numbered duplicate receipts.

The District should put monitoring controls in place to help assure that the work performed and reports generated are meeting the objectives of the Board of Trustees and management. The District should also monitor to ensure the required laws are followed. Monitoring controls should be performed by someone independent of those performing the tasks.

We recommend the District implement the following procedures:

- The Board should receive monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements, outstanding check lists, and deposits in transit), check registers, cash book, etc. The Board should receive these reports prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. The Board's approval of these reports should be documented in the minutes. The documents reviewed should be initialed by the reviewer(s) to document a review has occurred.
- Pre-numbered duplicate receipts should be issued. Detail receipt information (receipt number, date, description) should be posted to the cash book.

**FINDING NUMBER 2011-08
(Continued)**

Officials' Response:

The Fiscal Officer does not do the monthly cash reconciliation. Board Member Sharon Bates does the reconciliation. The Fiscal Officer has purchased a pre-numbered receipt book in which all funds will be recorded, including date and description. The current reports furnished to the Board Members include all receipts and expenditures are approved at the Board meeting. Currently, these are given to members at the meeting. I will be giving these to members in order that they may be viewed, prior to monthly meetings.

**WEST ELKTON GRATIS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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

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	ORC 5705.28(B)(2)(a), failure to adopt an operating budget.	No	Not corrected – reissued as Finding 2011-07
2009-002	ORC 5705.28(B)(2)(b) and 5705.36(A)(1), failure to certify all sources available for expenditures	No	Not corrected – reissued as Finding 2011-03
2009-003	ORC 5705.38(A), failure to adopt appropriation measures.	No	Not corrected – reissued as Finding 2011-04
2009-004	ORC 5705.41(B), did not properly appropriate expenditures	No	Not corrected – reissued as Finding 2011-06
2009-005	Various internal accounting control weaknesses	No	Partially corrected. Reissued as Finding 2011-08
2009-006	ORC 5705.41(D)(1), failure to certify funds.	No	Not corrected – reissued as Finding 2011-01
2009-007	OAC 117-2-02(A), failure to maintain required accounting records.	No	Not corrected. Reissued as Finding 2011-02

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Dave Yost • Auditor of State

**WEST ELKTON GRATIS TOWNSHIP FIRE 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
MAY 8, 2012**