



Mary Taylor, CPA
Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - General Fund - For the Year Ended December 31, 2004.....	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

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 28, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

To the Board of Trustees:

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

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

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

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 Governments 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004, or its changes in financial position for the years then ended

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The 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.

As described in Note 1A, as of January 8, 2003, the District changed their name to become Little Miami Joint Fire and Rescue District. This name change was due to the Fairfax Madison Place Joint Fire and Rescue District reorganization to include the subdivision of the Village of Newtown. Also, as of January 1, 2004 the Eastern Emergency Joint Ambulance District dissolved, with Little Miami Joint Fire and Rescue District assuming some of the assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, 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

March 28, 2008

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$414,681	\$0	\$414,681
Charges for Services	1,110,759	0	1,110,759
Intergovernmental	44,198	111,114	155,312
Earnings on Investments	1,982	0	1,982
Miscellaneous	4,111	0	4,111
	1,575,731	111,114	1,686,845
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property:			
General Government	1,214,657	0	1,214,657
Capital Outlay	403,126	0	403,126
	0	131,659	131,659
	1,617,783	131,659	1,749,442
Total Receipts Over/(Under) Disbursements	(42,052)	(20,545)	(62,597)
Other Financing Receipts:			
Other Financing Sources	275,129	0	275,129
Total Other Financing Receipts	275,129	0	275,129
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	233,077	(20,545)	212,532
Fund Cash Balances, January 1	100,344	0	100,344
Fund Cash Balances, December 31	\$333,421	(\$20,545)	\$312,876
Reserve for Encumbrances, December 31	\$3,955	\$0	\$3,955

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

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Receipts:	
Property and Other Local Taxes	\$246,766
Charges for Services	1,290,993
Intergovernmental	99,902
Earnings on Investments	942
Miscellaneous	<u>18,052</u>
Total Cash Receipts	<u>1,656,655</u>
Cash Disbursements:	
Current Disbursements:	
Security of Persons and Property:	1,225,257
General Government	<u>492,572</u>
Total Cash Disbursements	<u>1,717,829</u>
Total Receipts (Under) Disbursements	(61,174)
Fund Cash Balances, January 1	<u>161,518</u>
Fund Cash Balances, December 31	<u><u>\$100,344</u></u>
Reserve for Encumbrances, December 31	<u><u>\$5,356</u></u>

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

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as a body corporate and politic. A six member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Columbia Township, the Village of Fairfax, and the Village of Newtown. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

Little Miami Joint Fire and Rescue District was formed as a result of a resolution passed by the Fairfax Madison Place Joint Fire and Rescue District on January 8, 2003 to add the Village of Newtown. Little Miami Joint Fire and Rescue District received all assets of Fairfax Madison Place and equipment from the Village of Newtown valued at \$48,000 plus a fire truck and an ambulance. The December 31, 2003 fund cash balance of \$161,518 of the Fairfax Madison Place Joint Fire and Rescue District was carried forward as the January 1, 2004 fund cash balance of the Little Miami Joint Fire and Rescue District.

Also, on January 1, 2004 the Eastern Emergency Joint Ambulance District dissolved, with the member subdivisions of the Villages of Fairfax, the Village of Mariemont, and Columbia Township receiving the remaining cash balance. In 2005, the Village of Fairfax and the Village of Mariemont gave \$275,129 of their amount received to the District. This is reported as other financing sources in the financial statements. The District received \$30,774 of the assets (equipment) from Eastern Emergency Joint Ambulance District. A new fire and emergency medical services levy for the subdivision of Columbia Township was voted on and passed in November 2003, and the proceeds from this levy support the new 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 all cash deposits in an interest bearing checking account.

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:

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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:

Fire District Fund - This fund receives Federal grants for equipment purchases.

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. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash

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

	2005	2004
Demand deposits	\$312,876	\$100,344
Total deposits	\$312,876	\$100,344

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

At December 31, 2005 and 2004, \$252,737 and \$65,293 respectively, of deposits were not insured or collateralized, contrary to Ohio law.

3. Budgetary Activity

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,712,866	\$1,850,860	\$137,994
Special Revenue	134,000	111,114	(22,886)
Total	\$1,846,866	\$1,961,974	\$115,108

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,681,927	\$1,621,738	\$60,189
Special Revenue	134,000	131,659	2,341
Total	\$1,815,927	\$1,753,397	\$62,530

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

3. Budgetary Activity (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,537,970	\$1,656,655	\$118,685
Total	\$1,537,970	\$1,656,655	\$118,685

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,791,995	\$1,723,185	\$68,810
Total	\$1,791,995	\$1,723,185	\$68,810

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.

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

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. For 2005 and 2004, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the District contributed an amount equaling 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2005.

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

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. Material Noncompliance

Contrary to Ohio Admin. Code Section 117-2-02(A), the District failed to maintain all required accounting records.

Contrary to Ohio Revised Code Section 5705.36(A)(4), for the year ended December 31, 2005, the District failed to obtain a reduced amended certificate of estimated resources for the Fire District Fund and the deficiency reduced available resources below the current level of appropriations.

8. Accountability

The following individual fund had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Fire District Fund	\$20,545

The Board plans to address this deficit by approving a transfer from the General Fund to the Fire District Fund.

9. Subsequent Events

The District passed a fire levy in May 2006. The District also issued Vehicle Acquisition General Obligation Bonds, Series 2008 in an amount not to exceed \$210,000 to acquire an ambulance, a pickup truck & a car.

This page intentionally left blank.



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*

Little Miami Joint Fire and Rescue District
Hamilton County
6904 Murray Avenue
Cincinnati, Ohio 45227

To the District Board of Trustees:

We have audited the financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 28, 2008, 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 opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider all of the reportable conditions listed above to be material weaknesses. In a separate letter to the District's management dated March 28, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 through 2005-005.

In a separate letter to the District's management dated March 28, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 28, 2008

**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY**

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

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

FINDING NUMBER 2005-001

Material Weakness

The preparation of the monthly bank reconciliation is an important management tool for explaining differences between the cash bank account balance and the accounting system book balance and assists in the detection of errors, irregularities, and improper or incorrect postings to the accounting records. The accuracy of the monthly bank reconciliation is also essential to the ability of the District to make sound financial decisions and for proper financial reporting purposes.

The District did not properly reconcile its December 31, 2005 and December 31, 2004 cash bank account balance to its accounting system fund balance. Some of the discrepancies were as follows:

- The reconciliations were not initially able to be substantiated with documentation that adequately supported outstanding checks, deposits in transit, and other reconciling items.
- Instances were noted where receipts were not posted to the accounting system, and the omissions were not noted in the course of preparing of the reconciliations.
- The final bank reconciliation, which took about one year to obtain, for December 31, 2005, indicated a reconciled bank balance of \$312,739, while the accounting system book balance was \$312,875, for a difference of (\$136) which could not be explained. The final bank reconciliation, which took about one year to obtain, for December 31, 2004, indicated a reconciled bank balance of \$100,767, while the accounting system book balance was \$100,344, for a difference of \$423 which could not be explained.
- No monitoring procedures had been established for the review and approval of the monthly bank reconciliation.

Failure to post all transactions and to accurately reconcile the book balance to the bank balance on a regular basis increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection.

We recommend that the District establish controls to help ensure that monthly bank reconciliations are accurately prepared in a timely manner. All amounts on the bank reconciliation, including bank balances, outstanding checks, deposits in transit, and other reconciling items should be evidenced by supporting documentation that is easily traceable to the reconciliation. Unexplained variances (if any) should be documented, investigated, and immediately resolved. We also recommend that the monthly bank reconciliations be submitted to management and the Board of Trustees for review and approval. In addition, the Board's approval should be documented in the minutes.

FINDING NUMBER 2005-002

Noncompliance Citation/Material Weakness

Ohio Admin. Code, Section 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 as required by Ohio Admin. Code Section 117-2-03. Under Ohio Admin. Code Sections 117-2-02(C) and (E), the accounting records to be maintained include in part the following records:

1. Cash journal, which typically contains information on the amount, date, receipt number, check number, account code, purchase order number, and any other information to properly classify each transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt for each fund and contains information on the amount, date, name of the payor, purpose, and receipt number.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution.
4. Payroll records, including Form W-2's, Form W-4's, and other withholding records and authorizations.
5. Fixed asset records, which may include information for each asset on the original cost, acquisition date, associated voucher number, the asset type (i.e., land, building, vehicle, etc.) asset description, location, and tag number. It is further required that each local public office establish a capitalization threshold so that, at a minimum, eighty percent (80%) of the local public office's non-infrastructure assets are identified, classified, and recorded on the financial records.

In reviewing the District's records for 2005 and 2004, we noted the following:

1. A receipt ledger was maintained, but did not contain information on estimated receipts (and related balances of available resources). In reviewing the receipts records, we noted that pre-numbered, duplicate receipt forms were not used. We also noted that some receipts were not posted to the proper account and some receipts were entirely omitted and not posted to the system. Estimated receipts were not posted to the system.
2. An appropriation ledger was not maintained.
3. Fixed asset records were not maintained and a fixed asset capitalization threshold had not been established.
4. None of the District's personnel files contained Form W-4's, records of retirement system participation, and withholding authorizations.
5. The District did not establish a separate fund to account for a Federal Emergency Management Agency grant received in 2005. This grant had receipts of \$111,114 and disbursements of \$131,659 during 2005.

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

An adequate system of internal control includes procedures which help ensure that all transactions are properly executed and recorded and that the related accountability for assets is maintained. The conditions described above indicate a lack of control over the processes for recording and reporting of the District's financial activity, increasing the risk of errors and inaccuracies in financial reports, intentional fraud or theft of assets, noncompliance with various provisions of state statutes, and may result in an inability to properly substantiate some transactions.

We recommend that the District review its accounting records to ensure that all required records are maintained. To help ensure that all receipts are accounted for, pre-numbered receipt documents should be used. To help ensure compliance with budgetary law, estimated receipts and appropriations should be posted to the accounting system and the capabilities of the computerized accounting system in generating reports which compare estimated receipts to actual receipts and appropriations to disbursements should be utilized, and such reports should be presented to the Board of Trustees for review and approval. Implementation of such procedures will add a substantial measure of assurance that the District's financial activity is properly accounted for and fairly presented for external reporting purposes.

Budgetary Accounting System Reports

The District's computerized accounting system has the capability to integrate the budgetary accounts (estimated receipts and appropriations) into the system and allows the user to generate comparative reports of estimated and actual receipts and budgeted appropriations and actual expenditures. However, the District does not enter estimated receipts and appropriations into the system and therefore does not utilize the capability of the system to produce reports which have the capacity to help in the monitoring of spending and compliance with Ohio budgetary law. To help improve the process for monitoring of spending and to help ensure compliance with budgetary law, we recommend that the District regularly enter estimated receipts and appropriations as approved by the Board of Trustees in the minutes into the system and review the reports produced by the system.

FINDING NUMBER 2005-003

Noncompliance/Material Weakness

Ohio Rev. Code, Section 135.18(A), provides in part that the treasurer, prior to making the initial deposit, 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 of instrumentality of the federal government. At December 31, 2005, the District had \$252,737 of deposits that were not insured or collateralized. Failure to properly collateralize deposits could result in a loss of public funds. We recommend that the District periodically review collateralization to ensure that all public monies are adequately safeguarded.

FINDING NUMBER 2005-004

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk is attached thereto. The Clerk 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 Clerks 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 Clerk can certify that both at the time that the contract or order was made (“then”), and at the time that the Clerk 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 Clerk 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 – Clerks 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 Clerk 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 properly certify the availability of funds for purchase commitments for 57% of expenditures tested for fiscal year 2005 and for 64% of expenditures tested for fiscal year 2004 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

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

**FINDING NUMBER 2005-004
 (Continued)**

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

FINDING NUMBER 2005-005

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.36(A)(4), requires that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. As of the date noted below, actual receipts were below estimated receipts, and the deficiency reduced available resources below the current level of appropriations in the following fund:

2005

Fund	Unencumbered 1/1/05 Fund Balance Plus Actual Receipts Plus Carryover Appropriations	Current Year Appropriations Plus Prior Year Carryover Appropriations	Variance
Fire District	\$111,114	\$134,000	\$(22,886)

We recommend that the District periodically review and compare estimated and actual receipts and make necessary amendments thereto, to reduce the risk of appropriations exceeding available resources and the potential for negative fund balances.



Mary Taylor, CPA
Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2008**