



**Mary Taylor, CPA**  
Auditor of State



**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

Walhonding Valley Fire District  
Coshocton County  
19849 Township Road 383  
Walhonding, Ohio 43843-9785

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.

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

**Mary Taylor, CPA**  
Auditor of State

September 23, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Walhonding Valley Fire District  
Coshocton County  
19849 Township Road 383  
Walhonding, Ohio 43843-9785

To the Board of Trustees:

We have audited the accompanying financial statements of Walhonding Valley Fire District, Coshocton County, Ohio, (the Fire District) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Fire District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Fire District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, during 2007 and 2006, the Fire District has revised its financial statement presentation to follow 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.

During 2006, the Fire District changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Fire District's larger (i.e. major) funds separately. While the Fire 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 the Fire District to reformat their statements. The Fire 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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fire District as of December 31, 2007 and 2006, 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 of Walhonding Valley Fire District, Coshocton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Fire 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 July 30, 2008, on our consideration of the Fire 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

September 23, 2008



**WALHONDING VALLEY FIRE DISTRICT  
COSHOCTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>
<b>Cash Receipts:</b>	
Property and Other Local Taxes	\$262,723
Charges for Services	1,000
Intergovernmental	53,290
Earnings on Investments	659
Miscellaneous	441
	<hr/>
Total Cash Receipts	318,113
	<hr/>
<b>Cash Disbursements:</b>	
Current:	
Public Safety	160,834
Capital Outlay	7,604
Debt Service:	
Redemption of Principal	95,809
Interest and Other Fiscal Charges	12,815
	<hr/>
Total Cash Disbursements	277,062
	<hr/>
Total Cash Receipts Over Cash Disbursements	41,051
	<hr/>
Fund Cash Balances, January 1	9,388
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$50,439</u></u></b>

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

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCKTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Property and Other Local Taxes	\$264,534
Intergovernmental	42,700
Earnings on Investments	468
Miscellaneous	13,778
	321,480
Total Cash Receipts	321,480
<b>Cash Disbursements:</b>	
Current:	
Public Safety	243,660
Capital Outlay	389,410
Debt Service:	
Redemption of Principal	27,500
Interest and Other Fiscal Charges	6,371
	666,941
Total Cash Disbursements	666,941
Total Cash Receipts (Under) Cash Disbursements	(345,461)
<b>Other Financing Receipts:</b>	
Loan Proceeds	340,000
	340,000
Total Other Financing Receipts	340,000
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(5,461)
Fund Cash Balances, January 1 (Restated, see Note 2)	14,849
<b>Fund Cash Balances, December 31</b>	<b>\$9,388</b>

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

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Walhonding Valley Fire District, Coshocoton County, Ohio, (the Fire District) as a body corporate and politic. The Fire District is directed by an appointed representative of ten political subdivisions consisting of Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw. The Board of Trustees consists of eleven members: one member from each of the aforementioned subdivisions and one member at large whose appointment is made by one individual subdivision within the Fire District on a one-year rotational basis. The principal purpose of the Fire District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection for the subdivisions.

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

**B. Accounting Basis**

During 2005, the Fire District followed the modified cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the modified cash accounting basis.

During 2007 and 2006, the Fire District continued to use the modified cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. The Fire 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**

The Fire District maintains all cash in an interest bearing checking account.

**D. Fund Accounting**

The General Fund is the general operating fund. It is used to account for all financial resources.

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

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

**2. Restatement of Fund Balance**

During the prior year, an adjustment to the financial statements was made to reduce Public Safety expenditures in the General Fund to adjust FEMA monies, which caused the fund balance to increase. However, this entry was incorrectly recorded in the Fire District's accounting system. Additionally, during 2006, the Fire District voided two outstanding checks written in 2005. This caused the January 1, 2006 fund balance to increase by \$58.

These adjustments had the following effect on the Fire District's General Fund balance as previously reported:

Fund Balance - December 31, 2005	\$ 20,477
Adjustment	(5,687)
Elimination of outstanding checks	<u>58</u>
Adjusted Fund Balance - January 1, 2006	<u><u>\$14,849</u></u>

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**3. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$50,439	\$9,388

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation and collateral specifically pledged for the Fire District. However, there were two instances in 2006 where the bank balance exceeded FDIC coverage and sufficient collateral was not obtained.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$305,094	\$318,113	\$13,019

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$277,062	(\$277,062)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$454,614	\$661,480	\$206,866

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$666,941	(\$666,941)

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Noncompliance**

Contrary to Ohio Rev. Code Section 5705.38 (A), evidence did not exist to support the approval of the annual appropriations for either 2007 or 2006.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations throughout 2007 and 2006 due to the lack of evidence supporting the approval of annual appropriation measures.

Contrary to Ohio Rev. Code Section 5705.41 (D), 81% of expenditures tested were not certified by the Clerk prior to incurring the obligation.

Contrary to Ohio Rev. Code Section 5705.39, the Fire District did not obtain a does not exceed certificate from the Coshocoton County Auditor as a result of Fire District not submitting their appropriations for 2006.

**6. 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.

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

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

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

**7. Debt**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - Fire Vehicle	\$136,829	4.35%
Promissory Note - Building Addition	79,862	4.45%
Total	<u>\$216,691</u>	

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Debt (Continued)**

In January 2006, the Fire District obtained a loan in the amount of \$220,000 for purpose of purchasing a fire vehicle with the loan maturing in 2010. A second commercial loan in the amount of \$120,000 was obtained through Ohio Heritage in September 2006 for the construction costs association with a building addition with the loan maturing in 2009.

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

Year ending December 31:	Promissory Note - Fire Vehicle	Promissory Note - Building Addition
2008	\$60,354	\$43,554
2009	57,961	41,636
2010	27,412	
Total	\$145,727	\$85,190

**8. Retirement Systems**

**A. Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Fire District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Fire District has paid all contributions required through December 31, 2007.

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2007, all of the Fire District's employees not covered by Ohio Public Employees Retirement System have elected Social Security. The Board's liability is 6.2% of wages paid.

**9. Risk Management**

**Commercial Insurance**

The Fire District has obtained commercial insurance for the following risks:

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

There has been no reduction in coverage and claims have not exceeded coverage.

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# Mary Taylor, CPA

Auditor of State

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

Walhonding Valley Fire District  
Coshocton County  
19849 Township 383  
Walhonding, Ohio 43843-9785

To the Board of Trustees:

We have audited the financial statements of the Walhonding Valley Fire District, Coshocton County, Ohio, (the Fire District) as of and for the years ending December 31, 2007 and 2006, and have issued our report thereon dated September 23, 2008, wherein we noted the Fire District revised its financial statements to follow accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Fire District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Fire District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 Fire District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Fire District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fire District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Fire District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider Finding Numbers 2007-001 and 2007-002 described in the accompanying Schedule of Findings to be significant deficiencies in internal control and financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Fire District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessary disclose all significant deficiencies that are also material weaknesses. However, we believe Finding Numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain matters that we reported to the Fire District's management in a separate letter dated September 23, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Fire 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-002 to 2007-005.

We also noted certain noncompliance or other matters that we reported to the Fire District's management in a separate letter dated September 23, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 23, 2008

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, errors were noted in the Fire District's financial statements that required audit adjustments and reclassifications as follows:

During 2007, Walhonding Valley Fire District misclassified public utility loss reimbursements received from the State of Ohio in the amount of \$35,014 as General Property Tax revenue instead of Intergovernmental Revenue. Additionally, the Fire District misclassified the following expenditures: \$7,604 for an equipment purchase as Public Safety expenditures rather than as Capital Outlay and \$12,815 in interest payments as Redemption of Principal rather than as Interest and Other Fiscal Charges. Also, the Fire District improperly posted receipts to Extraordinary Items that are not unusual or infrequent in nature. As a result, \$231 and \$7,094 was reclassified to Miscellaneous Revenue and Intergovernmental Revenue, respectively.

During 2006, the Fire District misclassified personal property receipts as Intergovernmental Revenue instead of Property Tax revenue. The Fire District also misclassified the following expenditures: \$214,141 for equipment purchase and building construction as Public Safety expenditures rather than as Capital Outlay; \$27,500 in debt principal payment as Public Safety expenditures rather than as Redemption of Principal; and \$6,371 of interest payments as Public Safety expenditures rather than as Interest and other Fiscal Charges. Additionally, the Fire District improperly posted receipts to Special Items and Extraordinary Items that are not unusual or infrequent in nature. As a result, \$2,090 was reclassified to Miscellaneous Revenue. Also, the Fire District did not properly reflect an on behalf payment in the amount of \$175,269 made by Ohio Heritage Bank for the purchase of a fire truck. The Fire District also did not properly reflect a loan totaling \$340,000 as Loan Proceeds but initially were recorded as Other Financing Sources. Lastly, \$11,588 in Miscellaneous Revenue and \$800 in Intergovernmental Revenue was improperly recorded as Other Financing Sources.

Sound financial reporting is the responsibility of the Fire District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Fire District's financial statements and notes to the financial statements are complete and accurate, the Fire District should adopt policies and procedures to identify and correct errors and omissions. The Fire District should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN System. In addition, the Fire District should review the financial statements and notes prior to submission for audit.

**Official's Response:** No response was received.

### FINDING NUMBER 2007-002

#### Material Weakness/Noncompliance Citation

**Ohio Rev. Code Section 5705.38(A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed by the Board of Trustees. The appropriation measure and any amendments should then be submitted to the County.

We noted the following exceptions:

- Although an annual appropriation measure was submitted to the County Auditor for 2006, the annual appropriation measure was not approved by the Board of Trustees as evidenced in the board minutes.
- Even though the Board of Trustees approved an annual appropriation measure for 2007, the Clerk was unable to provide the annual appropriation measure for the audit. The annual appropriation measure was also never submitted to the County Auditor.

As a result, annual appropriations for 2007 and 2006 were adjusted \$0.

The Clerk should implement procedures to ensure that each annual appropriation measure and any amendments are submitted to the Board of Trustees for approval as evidenced in the minutes and subsequently submitted to the County Auditor. This will help ensure evidence exists to support annual appropriations are approved by the Board of Trustees.

**Official's Response:** The appropriations for 2006 were approved by the Board on January 11, 2006, submitted to the County Auditor, and a "do not exceed" certificate was issued, but the approval of the appropriations were inadvertently left out of the minutes. The minutes for the January 11, 2006 meeting will be corrected and approved at the next Board meeting on November 10, 2008.

The appropriations for 2007 were approved at the January 10, 2007 meeting. The District can not prove that the appropriations were submitted to the County Auditor. The appropriations for 2007 have been submitted to the Coshocton County Auditor's Office and a retroactive "do not exceed" certificate for the 2007 appropriations has been issued.

### FINDING NUMBER 2007-003

#### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Since evidence did not exist to support the 2007 and 2006 annual appropriations were either approved by the Board of Trustees or submitted to the County Auditor, annual appropriations are \$0. As a result, expenditures will exceed appropriations throughout both years.

The Fire District should implement procedures to ensure that annual appropriation measures are properly adopted in order to avoid making invalid expenditures.

A similar comment was reported in our audit of the 2005 financial statements.

**FINDING NUMBER 2007-003 (Continued)**

**Official's Response:** The appropriations for 2006 were approved by the Board on January 11, 2006, submitted to the County Auditor, and a "do not exceed" certificate was issued, but the approval of the appropriations were inadvertently left out of the minutes. The minutes for the January 11, 2006 meeting will be corrected and approved at the next Board meeting on November 10, 2008.

The appropriations for 2007 were approved at the January 10, 2007 meeting. The District can not prove that the appropriations were submitted to the County Auditor. The appropriations for 2007 have been submitted to the Coshocton County Auditor's Office and a retroactive "do not exceed" certificate for the 2007 appropriations has been issued.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Since evidence did not exist to support the 2007 annual appropriations were filed with the County Auditor, the County Auditor was unable to issue the required certificate.

The Fire District should ensure annual appropriations adopted by the Board of Trustees are reflected in the minutes and subsequently submitted to the County Auditor in order to comply with Ohio Rev. Code Section 5705.39.

**Official's Response:** The appropriations for 2007 were approved at the January 10, 2007 meeting. The District can not prove that the appropriations were submitted to the County Auditor. The appropriations for 2007 have been submitted to the Coshocton County Auditor's Office and a retroactive "do not exceed" certificate for the 2007 appropriations has been issued.

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

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

There are several exceptions to the standard requirement stated above that a Clerk'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.

**FINDING NUMBER 2007-005 (Continued)**

**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 Fire District can authorize the drawing of a warrant for the payment of the amount due. The Fire 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 Fire 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 Fire 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.

During 2007 and 2006, 81% (29/36) of expenditures tested were not certified by the Clerk prior to incurring the obligation. The Clerk should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D). Additionally, the Board of Trustees has not established a threshold for blanket certificates.

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 disbursement and to help reduce the possibility of the Fire District's funds exceeding budgetary spending limitations, we recommend the Clerk certify the funds are or will be available prior to obligation by the Fire District. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk 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 Clerk should also sign the certification at the time the Fire District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Board of Trustees should also adopt a resolution or ordinance establishing a maximum threshold for blanket certificates.

A similar comment was reported in our audit of the 2005 financial statements.

**Official's Response:** The District started using Super Blanket Certificates after the 1<sup>st</sup> quarter in 2007, therefore the District is now complying with ORC 5705.41(D).

**WALHONDING VALLEY FIRE DISTRICT  
COSHOCOTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Revised Code Section 5705.41(D) – proper certification of funds prior to obligation	No	Not Corrected. See Schedule of Findings, Finding 2007-005
2005-002	Ohio Revised Code 5705.41 (B) – No subdivision is to expend money unless it has been appropriated	No	Not Corrected. See Schedule of Findings, Finding 2007-003







**Mary Taylor, CPA**  
Auditor of State

**WALHONDING VALLEY FIRE DISTRICT**

**COSHOCTON 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  
NOVEMBER 6, 2008**