CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006

Mary Taylor, CPA
Auditor of State

CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to 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

January 5, 2009

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Clinton-Warren Joint Fire and Rescue District, Clinton County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006. 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, 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 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 and reserves for encumbrances of Clinton-Warren Joint Fire and Rescue District, Clinton 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 District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, 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

Mary Taylor, CPA
Auditor of State

January 5, 2009

CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	$262,493	$0	$262,493
Charges for Services		52,379	52,379
Intergovernmental	50,634		50,634
Earnings on Investments	6,060		6,060
Miscellaneous	21,873	500	22,373
Total Cash Receipts	341,060	52,879	393,938
Cash Disbursements:			
Current Disbursements:			
General Government	103,146	42,402	145,549
Public Safety	48,173	1,714	49,887
Capital Outlay	346,085		346,085
Debt Service:			
Redemption of Principal	22,000		22,000
Interest and Other Fiscal Charges	58,522		58,522
Total Cash Disbursements	577,926	44,116	622,042
Total Receipts Over/(Under) Disbursements	(236,867)	8,763	(228,104)
Other Financing Receipts :			
Proceeds from Notes	225,450	0	225,450
Total Other Financing Receipts	225,450	0	225,450
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,417)	8,763	(2,654)
Fund Cash Balances, January 1	107,491	27,088	134,579
Fund Cash Balances, December 31	**$96,074**	**$35,851**	**$131,925**
Reserve for Encumbrances, December 31	$13,493	$8,343	$21,836

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

CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	$248,042	$0	$248,042
Charges for Services		5,160	5,160
Intergovernmental	19,468		19,468
Earnings on Investments	13,339		13,339
Miscellaneous	33,103	10	33,113
Total Cash Receipts	313,953	5,170	319,123
Cash Disbursements:			
Current Disbursements:			
General Government	78,508	2,247	80,755
Public Safety	44,995		44,995
Capital Outlay	1,196,790		1,196,790
Debt Service:			
Redemption of Principal	21,000		21,000
Interest and Other Fiscal Charges	59,295		59,295
Total Cash Disbursements	1,400,589	2,247	1,402,836
Total Receipts Over/(Under) Disbursements	(1,086,636)	2,923	(1,083,713)
Other Financing Receipts :			
Proceeds from Notes	951,687	0	951,687
Total Other Financing Receipts	951,687	0	951,687
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(134,949)	2,923	(132,026)
Fund Cash Balances, January 1	242,440	24,165	266,605
Fund Cash Balances, December 31	**$107,491**	**$27,088**	**$134,579**
Reserve for Encumbrances, December 31	$15,236	$0	$15,236

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

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

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

The District's management believes these financial statements present all activities for which the District is financially accountable, except the financial statements do not include debt service funds external custodians maintain. Note 6 to the financial statement describe these assets.

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 Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

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 Funds:

1. Summary of Significant Accounting Policies (Continued)

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

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 use the encumbrance method of accounting. However, there were no material unrecorded encumbrances at December 31, 2007 and 2006.

A summary of 2007 and 2006 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.

2. Equity in Pooled Cash and Savings

The District maintains a checking account with National City Bank. When funds exceed the "target balance" of $10,000 the additional funds are "swept" into National City Bank's "Sweep Money Market Savings Fund" which is a Money Market Savings Cash Account that earns interest. The funds are then moved backed into the checking account when needed. The carrying amount of cash and savings at December 31 was as follows:

	2007	2006
Demand deposits	$60,316	$1,811
Sweep Money Market Savings Fund	71,610	132,769
Total deposits and savings	$131,925	$134,579

2. Equity in Pooled Cash and Savings (Continued)

Deposits: Deposits in the checking account are insured by the Federal Depository Insurance Corporation up to $100,000. Amounts in the Sweep Money Market Savings Fund are also covered by FDIC, up to $100,000. The remainder of the deposits are collateralized by pooled securities of the financial institution up to a total of $500,000 of active deposits, and $500,000 of interim deposits for a total of $1,000,000, including the funds covered by the total FDIC amount.

3. 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	$341,060	$566,510	$225,450
Special Revenue	52,879	52,879	0
Total	$393,939	$619,389	$225,450

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$414,129	$591,420	($177,291)
Special Revenue	4,301	52,459	(48,158)
Total	$418,430	$643,879	($225,449)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$1,268,072	$1,265,640	($2,432)
Special Revenue	0	5,170	5,170
Total	$1,268,072	$1,270,810	$2,738

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$1,413,369	$1,415,825	($2,456)
Special Revenue	0	2,247	(2,247)
Total	$1,413,369	$1,418,072	($4,703)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by $177,290, the Rescue and Fire Building fund by $48,158 for the year ended December 31, 2007 and in the General fund by $2,456 and 2,247 in the Rescue and Fire Fund in 2006.

The District failed to budget for the Rescue and Fire Billing Fund in 2006.

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.

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

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

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Certificates of Participation	$1,202,000	4.7-4.9%
Pumper Truck Lease-Purchase	153,593	4.34%
Summit Fire Apparatus	175,450	5.40%
Total	$1,531,043	

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

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

The total principal payments due on the Lease-Purchase agreement for the construction and use of a new Fire House as of December 31, 2005, totals $1,245,000. As of December 31, 2007, the construction of the Fire House was complete. The District has only drawn down $1,233,300 in proceeds from the lease-purchase acquisition fund. These proceeds are reflected on the accompanying financial statements as Other Financing Sources- Debt Proceeds. The acquisition fund held by the custodian is discussed further in Note 8. Expenditures related to repayment of the Certificates of Participation are classified as Capital Outlay on the accompanying financial statements.

5. Debt (Continued)

On February 8, 2007, the District accepted the assignment of a lease-purchase agreement, held by Baystone Financial Group. The lease-purchase agreement is for the use and acquisition of a Fire Truck. Expenditures related to the lease-purchase agreement for the Fire Truck are classified as Capital Outlay on the accompanying financial statements.

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

Year ending December 31:	Certificates of Participation	Pumper Truck Lease-Purchase	Summit Fire Apparatus	Totals
2008	$79,508	$29,627	$22,766	$131,901
2009	79,650	29,627	22,766	132,043
2010	79,753	29,627	22,766	132,146
2011 - 2015	399,995	88,881	113,830	602,706
2016 - 2020	399,991		43,322	443,313
2021 - 2025	401,186			401,186
2026 - 2030	398,976			398,976
2031 - 2035	400,142			400,142
Total	$2,239,201	$177,762	$225,450	$2,642,413

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. OPERS member employees contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries.

7. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

8. Custodians of Other District Assets

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

The agreements related to the Renewable Lease-Purchase agreement and related Certificates of Participation, 2005E for the construction and use of a new Fire House required establishment of multiple acquisition and debt service trust funds. The District represents the Lessee, the Ohio Township Association Leasing, LLC represents the initial lessor, who subsequently assigned all rights, title and interests to the Bank of New York Trust Company as the trustee. The lessee acquisition fund is held by the Bank of New York Trust Company, a custodian bank. As of December 31, 2007, the lessee acquisition fund balance totaled $11,700

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

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

To the District Board of Trustees:

We have audited the financial statements of the Clinton-Warren Joint Fire and Rescue District, Clinton County, Ohio (the District), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated January 5, 2009, 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 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 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 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2007-002 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 5, 2009.

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 the management, and District Board of Trustees. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2009

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

In 2007, the District did not have adequate internal control procedures in place over the collection of the EMS/Ambulance Fees that could result in a more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement. These EMS/Ambulance fees comprise approximately 82% of total Special Fund receipts.

The following conditions were noted in the District's transactions with their EMS/Ambulance billing service provider (MBI Solutions):

- The District did not perform a reconciliation of EMS/Ambulance runs and receipts received from MBI Solutions for accuracy and completeness.
- The Board did not review and approve EMS/Ambulance Fee receipts.
- The District did not compare EMS/Ambulance Fee Receipts to approved EMS/Ambulance Fee rates.

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Furthermore, failure to accurately reconcile accounting records:

- reduces the accountability over District funds;
- reduces the Board's ability to monitor financial activity and make informed financial decisions;
- increases the likelihood that moneys will be misappropriated and not detected, and;
- increases the likelihood that the District's financial statements will be misstated.

A good internal control system includes procedures to help ensure management receives and processes accurate information as well as mitigate fraud, theft, or errors going unresolved.

When designing the District's system of internal control and the specific control activities, management should consider the following:

- Ensure proper authorization of all transactions in accordance with management's policies.
- Ensure proper design and maintenance of all charges for services records.
- Verify the existence and valuation of charges for services receipts and periodically reconcile them to the accounting records.

We recommend the District reconcile EMS/Ambulance runs made by the District to amounts billed and collected by MBI and to amounts deposited into the District's lockbox account.

FINDING NUMBER 2007-001
(Continued)

Officials' Response:

The District made significant improvements to internal controls over the billing and collection of EMS fees when it contracted with MBI in December 2006. Additionally, the contract with MBI has increased Fire and EMS fee revenue from an average of $8,900 per year to $52,400 in 2007 and $112,000 in 2008.

Subsequent to the audit, the District has implemented additional controls to include the reconciliation of EMS runs made to amounts billed and collected by MBI. The District has also compared the schedule of fees approved by the District for 2008 and 2009 to the amounts billed by MBI to ensure that MBI is using the approved rates.

Additionally, the District performs the following controls related to the collection of EMS fees: (1) All receipts are sent from the patient or insurance directly to the District's lockbox at the District's bank. MBI does not handle actual receipts. Only remittance advices are forwarded by the bank to MBI for posting against patient accounts. (2) Monthly, the amounts received at the District's lockbox are reconciled to the amounts MBI has recorded as received. Discrepancies are resolved with MBI. These reconciliations are also compared to the amounts billed by MBI for their services. (4) The District's lockbox is reconciled to the general ledger on a monthly basis. (5) Monthly, a list of the amounts received at the District's lockbox is presented to the board for review and discussion. (5) MBI has an annual audit of their financial statements.

Auditor of State's Conclusion:

Although the District Officials' response indicates that the "District made significant improvements to internal controls over the billing and collection of EMS fees when it contracted with MBI in December 2006," the result of our consideration of internal control during the 2007-2006 audit period is still categorized as a material weakness. District Officials indicate that they implemented additional controls subsequent the audit. We have not considered those controls as part of the 2007-2006 audit, and will consider those controls as we conduct the next audit.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate –** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2007-002
(Continued)

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

2. **Blanket Certificate –** Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate –** The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds for purchase commitments for any non-payroll transactions posted during 2006. In 2007, the clerk stamped a “Then and Now” certificate on the summary of all bills presented for approval by the Board. This is not considered to be an alternative to the required individual certification of funds by the fiscal officer. Therefore, none of the 2007 funds were properly certified prior to being spent.

Failure to properly certify the availability of funds can result in overspending 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 Fiscal Officer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

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

Officials’ Response:

Subsequent to the audit, the District has implemented a system for the proper use of the Super Blanket Certificate; the Blanket Certificate; and the “Then and Now” Certificate, including the required individual certification of funds for purchase commitments.

During the period under audit, all expenditures for each year were approved by the Chief, the Fiscal Officer, and the Board prior to disbursement of the funds. A formal Board Resolution was made every month to approve the payment of each expenditure. At no time were District funds overspent. At no time did the District ever have a negative cash balance.

FINDING NUMBER 2007-002
(Continued)

Auditor of State's Conclusion:

District Officials indicate that subsequent to the audit, "the District has implemented a system for the proper use of the Super Blanket Certificate; the Blanket Certificate; and the "Then and Now" Certificate, including the required individual certification of funds for purchase commitments." We have not tested these procedures for compliance as part of the 2007-2006 audit, and will test these procedures for compliance as we conduct the next audit.

For the audit period, the District did not certify the availability of funds for purchase commitments for any non-payroll transactions posted during 2006. In 2007, the clerk stamped a "Then and Now" certificate on the summary of all bills presented for approval by the Board. This is not considered to be an alternative to the required individual certification of funds by the fiscal officer. Therefore, none of the 2007 funds were properly certified prior to being spent.

If the District still needs additional information concerning "then and now" certification, the Township Handbook on the Auditor of State Website may be helpful. Page II-25 discusses purchase order certification and the information that should be contained in a purchase order. Page II-28 provides a sample "Then and Now" purchase order.

FINDING NUMBER 2007-003

Noncompliance Citation

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

Expenditures plus encumbrances exceeded appropriations for the following funds in 2006:

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$1,413,369	$1,415,825	($2,456)
EMS/Ambulance Fund	0	2,247	(2,247)
Total	$1,413,369	$1,418,072	($4,703)

In 2007, in the following fund:

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	$414,129	$591,420	($177,291)
EMS/Ambulance Fund	4,301	52,459	(48,158)
	$418,430	$643,879	($225,449)

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of District resources required for other services.

We recommend that the District monitor expenditures and appropriations. The Fiscal Officer should deny payment requests lacking sufficient appropriation authority.

FINDING NUMBER 2007-003
(Continued)

Officials' Response:

In 2006 the variances indicated in the finding primarily represent outstanding commitments at the end of each fiscal year. All of these expenditures were appropriated and disbursed in the subsequent fiscal year. For each subsequent year, the Board approved appropriations prior to disbursement of these funds.

In 2007 the variance was due to the lease of a new fire truck for $226,450. The funds for the fire truck were appropriated by a Board Resolution and accidentally omitted from the final budget worksheet due to a clerical oversight.

Auditor of State's Conclusion:

The variances in this finding indicate that the District spent funds and incurred obligations in excess of the appropriation authority for the related fiscal year, which is a violation of Ohio law.

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CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT
CLINTON 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; ***Explain***
2005-001	ORC 5705.41(D)(1) Failure to properly certify the availability of funds	No	Repeated 2007-002
2005-002	ORC 5705.41(B) Expenditures exceeded appropriations	No	Repeated 2007-003

CLINTON-WARREN JOINT FIRE AND RESCUE DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009