



**Auditor of State
Betty Montgomery**

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON 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
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - 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>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	17

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**Auditor of State
Betty Montgomery**

Clinton Highland Joint Fire District
Clinton County
97 W. Main Street
New Vienna, Ohio 45159

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 7, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Clinton Highland Joint Fire District
Clinton County
97 W. Main Street
New Vienna, Ohio 45159

To the Board of Trustees:

We have audited the accompanying financial statements of Clinton Highland Joint Fire District, Clinton 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.

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 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 Clinton Highland Joint Fire District, Clinton County, 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 aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2006, 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.



Betty Montgomery
Auditor of State

December 7, 2006

**CLINTON HIGHLAND JOINT FIRE 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, 2005**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$275,466	\$0	\$275,466
Intergovernmental	25,384	0	25,384
Charges for Services	2,241	67,285	69,526
Earnings on Investments	4,623	0	4,623
Miscellaneous	6,573	0	6,573
 Total Cash Receipts	 314,287	 67,285	 381,572
Cash Disbursements:			
Current:			
Security of Persons and Property	74,318	0	74,318
General Government	60,142	7,429	67,571
Debt Service:			
Redemption of Principal	166,722	0	166,722
Interest	10,088	0	10,088
Capital Outlay	2,874	0	2,874
 Total Disbursements	 314,144	 7,429	 321,573
 Total Receipts Over Disbursements	 143	 59,856	 59,999
Other Financing Receipts/(Disbursements):			
Advances-In	500	0	500
Advances-Out	0	(500)	(500)
Other Sources	16,186	0	16,186
 Total Other Financing Receipts/(Disbursements)	 16,686	 (500)	 16,186
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	 16,829	 59,356	 76,185
 Fund Cash Balances, January 1	 193,071	 500	 193,571
 Fund Cash Balances, December 31	 \$209,900	 \$59,856	 \$269,756
 Reserves for Encumbrances, December 31	 \$5,736	 \$0	 \$5,736

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

**CLINTON HIGHLAND JOINT FIRE 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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$251,075	\$0	\$251,075
Intergovernmental	34,527	0	34,527
Charges for Services	3,896	0	3,896
Earnings on Investments	1,740	0	1,740
Miscellaneous	<u>4,975</u>	<u>0</u>	<u>4,975</u>
Total Cash Receipts	<u>296,213</u>	<u>0</u>	<u>296,213</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	41,472	0	41,472
General Government	65,314	0	65,314
Debt Service:			
Redemption of Principal	197,886	0	197,886
Interest	19,114	0	19,114
Capital Outlay	<u>12,274</u>	<u>0</u>	<u>12,274</u>
Total Disbursements	<u>336,060</u>	<u>0</u>	<u>336,060</u>
Total Receipts Over Disbursements	<u>(39,847)</u>	<u>0</u>	<u>(39,847)</u>
Other Financing Receipts/(Disbursements):			
Advances-In	0	500	500
Advances-Out	<u>(500)</u>	<u>0</u>	<u>(500)</u>
Total Other Financing Receipts/(Disbursements)	<u>(500)</u>	<u>500</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(40,347)	500	(39,847)
Fund Cash Balances, January 1	<u>233,418</u>	<u>0</u>	<u>233,418</u>
Fund Cash Balances, December 31	<u>\$193,071</u>	<u>\$500</u>	<u>\$193,571</u>
Reserves for Encumbrances, December 31	<u>\$952</u>	<u>\$0</u>	<u>\$952</u>

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON 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 Clinton Highland Joint Fire District, Clinton County, Ohio (the District), as a body corporate and politic. A five-member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Green Township and Wayne Township in Clinton County; Union Township and Penn Township in Highland County; and the Village of New Vienna. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

The District's funds are deposited in a "NOW" checking account and CD's with a local commercial bank

D. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Ambulance and Emergency Medical Services Fund - This fund receives receipts from the billing of emergency runs. The District only bills non-residents for emergency runs.

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$115,244	\$64,632
Certificates of deposit	154,512	128,939
Total deposits	<u>\$269,756</u>	<u>\$193,571</u>

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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

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	\$310,279	\$330,473	\$20,194
Special Revenue	0	67,285	67,285
Total	\$310,279	\$397,758	\$87,479

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,502	\$319,880	\$66,622
Special Revenue	0	7,429	(7,429)
Total	\$386,502	\$327,309	\$59,193

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$232,648	\$296,213	\$63,565
Total	\$232,648	\$296,213	\$63,565

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$319,200	\$337,012	(\$17,812)
Total	\$319,200	\$337,012	(\$17,812)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by – Redemption of Principal by \$80,636 for the year ended December 31, 2004 and expenditures exceeded appropriations by \$7,429 in the Emergency Medical Services Fund – General Government expenditures in 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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

4. PROPERTY TAX (Continued)

Tangible personal property tax owners assess that property. The property owners must file a tangible property list to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$48,656</u>	5.03%

The District issued a general obligation note on September 17, 2002 for \$530,000 for a new building. The note was to mature on September 17, 2007, however the District has reduced the principal amount due by paying additional payments on the note. The District's taxing authority collateralizes the note. The District paid the balance of \$49,842, including interest of \$1,186, on March 28, 2006.

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, 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 Clinton Highland Joint Fire District has obtained commercial insurance for the following risks:

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

8. MATERIAL COMPLIANCE

The District did not properly post receipts in 2005 and 2004 into the established funds as required by Ohio Revised Code, Section 5705.09 and 5705.10.

The District did not certify the availability of funds for commitments made in 2005 and 2004 as required by Ohio Revised Code Section 5705.41 (D).



Auditor of State Betty Montgomery

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

Clinton Highland Joint Fire District
Clinton County
97 W. Main Street
New Vienna, Ohio 45159

To the Board of Trustees:

We have audited the financial statements of the Clinton Highland Joint Fire District, Clinton County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 6, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the District 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 District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 in order 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 the reportable condition 2005-002 and 2005-004 listed above to be material weaknesses. In a separate letter to the District's management dated December 7, 2006, 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 2005-001, 2005-002, 2005-003 and 2005-005. In a separate letter to the District's management dated December 7, 2006, 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.



Betty Montgomery
Auditor of State

December 7, 2006

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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

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

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Emergency Medical Services Fund had expenditures which exceeded appropriations at the legal level of control at December 31, 2005.

Fund & Object	Appropriation	Expenditures	Variance
General Government	\$0	\$7,429	(\$7,429)

The General Fund had expenditures which exceeded appropriations at the legal level of control at December 31, 2004.

Fund & Object	Appropriation	Expenditures	Variance
Redemption of Principal	\$117,250	\$197,886	(\$80,636)

The management of the District should monitor the District's budgetary receipt and expenditure positions by having the clerk provide Comparison of Budget and Actual Receipts Report and Appropriation Status reports at least quarterly to be reviewed and approved by Board. By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the District.

Officials' Response

We did not receive a response from the Officials.

FINDING NUMBER 2005-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09(F), states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10 provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

The District posted property taxes at the net amount instead of the gross amount, refunds were posted to taxes, monies received for ambulance runs were not recorded on the District's ledgers and financial statements, and the manufactured home tax was posted to intergovernmental line item. The following table reflects the net effect of the adjustments on the financial statements.

	General Fund	Emergency Medical Services Fund
Net Effect of Adjustments on Fund Balance	(\$40,000)	\$59,856

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

Audit adjustments have been posted to the District's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the District. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the District. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over District funds, 2) reduces the Board's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Clerk accurately maintain the accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. The District should adopt procedures to properly monitor the District's financial activity.

Officials' Response

We did not receive a response from the Officials.

FINDING NUMBER 2005-003

Finding for Recovery/Reportable Condition

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

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Verifying the existence and the valuation of assets and liabilities and periodically reconciling them to the accounting records; and
- Performing analytical procedures to determine the reasonableness of financial data.

The District established an assistant administrative position to the Clerk in 2005. Wages were established at ten dollars per hour for all hours worked. Time sheets were maintained for the hours worked by the administrative assistant, Carol DuBois, but there was no indication that the hours worked were verified and recalculated to determine the accuracy of the time sheet. As a result, an error was made in the calculation of the administrative assistant's salary. The amount paid to Ms. DuBois exceeded the Board approved amount by one hundred ninety nine dollars (\$199). We recommend the Clerk verify the hours worked, recompute the assistant's salary and pay only the amount that is due to her.

In accordance with the foregoing fact, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against District's Administrative Assistant, Carol DuBois, and the District's Clerk, Sidney Clay, in the amount of one hundred ninety nine dollars (\$199) and in favor of the District's General Fund.

Officials' Response

We did not receive a response from the Officials.

FINDING NUMBER 2005-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should also monitor activities performed by service organizations.

The Clinton Highland Joint Fire District entered into a contract with MBI to process bills for ambulance runs for non-residents. Payments were sent directly to a lockbox maintained by National Bank and Trust. MBI received copies of remittance detail that was sent to the lockbox. MBI would then post this detail to their records. MBI would bill the District ten percent of the amount collected. The District did not establish procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected. There was no evidence that the District reconciles the amounts posted by MBI to the monies that were deposited into the District's bank account. As a result, the District was unaware that two thousand three hundred nine dollars that was due them was credited to another entity's account. The bank was notified and the money was deposited into the District's account in 2006.

We recommend the District establish procedures to reconcile the ambulance runs to the amounts invoiced by MBI. They should continue the process by reconciling the amount deposited to their account to the amount invoiced by MBI. By reconciling the billing and receipt cycle, the District can reduce the risk of duplicate invoices or missing invoices and nonpayment of invoices. In addition, the District should also recalculate the amount of the fee paid to MBI each month based on the amount of revenue that was collected from the services provided by MBI as outlined in the contract. By monitoring the fees the District will reduce the risk of over or under payments to MBI under the established contract.

Officials' Response

We did not receive a response from the Officials.

FINDING NUMBER 2005-005

Noncompliance Citation/Reportable Condition

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 fiscal officer 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 fiscal officer. 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 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2005-005
(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 Board.

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 Board 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.

One hundred percent (100%) of the purchases tested were initiated without obtaining the prior certification of the Clerk/Treasurer and were not subsequently approved by the Board within the aforementioned 30 day time period. Failure to properly encumber could 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 Clerk/Treasurer 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 the officials and employees obtain the Clerk/Treasurer’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/Treasurer 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

We did not receive a response from the Officials.

**CLINTON HIGHLAND JOINT FIRE DISTRICT
CLINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Revised Code § 5705.41(B), expenditures exceeded appropriations	No	Reissued as Finding 2005-001



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**CLINTON HIGHLAND JOINT FIRE 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
DECEMBER 26, 2006**