



Mary Taylor, CPA
Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

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

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Mary Taylor, CPA
Auditor of State

November 7, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio, (the District), as of and for the years ended December 31, 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 Little Miami Joint Fire and Rescue District, Hamilton 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 November 7, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 7, 2008

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

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$1,940,949	\$0	\$1,940,949
Charges for Services	6,563	0	6,563
Intergovernmental	167,200	128,888	296,088
Earnings on Investments	9,930	0	9,930
Miscellaneous	10,887	0	10,887
Total Cash Receipts	2,135,529	128,888	2,264,417
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property:			
Salaries	1,132,072	0	1,132,072
Fringe Benefits	105,263	0	105,263
Materials and Supplies	4,796	0	4,796
Equipment	140,973	15,820	156,793
Other	349,301	10,265	359,566
Capital Outlay	18,949	0	18,949
Total Cash Disbursements	1,751,354	26,085	1,777,439
Total Receipts Over Disbursements	384,175	102,803	486,978
Fund Cash Balances, January 1	214,488	230,119	444,607
Fund Cash Balances, December 31	\$598,663	\$332,922	\$931,585
Reserve for Encumbrances, December 31	\$1,963	\$0	\$1,963

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

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

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$456,234	\$0	\$456,234
Charges for Services	1,017,261	119,931	1,137,192
Intergovernmental	13,393	0	13,393
Earnings on Investments	2,454	0	2,454
Miscellaneous	26,194	0	26,194
 Total Cash Receipts	 1,515,536	 119,931	 1,635,467
Cash Disbursements:			
Current Disbursements:			
Security of Persons and Property:			
Salaries	1,033,978	0	1,033,978
Fringe Benefits	121,259	0	121,259
Materials and Supplies	6,144	0	6,144
Equipment	1,423	9,993	11,416
Other	294,320	12,177	306,497
Capital Outlay	65,232	0	65,232
 Total Cash Disbursements	 1,522,356	 22,170	 1,544,526
 Total Receipts Over/(Under) Disbursements	 (6,820)	 97,761	 90,941
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	4,135	0	4,135
Other Financing Sources	36,656	0	36,656
 Total Other Financing Receipts / (Disbursements)	 40,791	 0	 40,791
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	 33,971	 97,761	 131,732
 Fund Cash Balances, January 1	 180,517	 132,358	 312,875
 Fund Cash Balances, December 31	 \$214,488	 \$230,119	 \$444,607
 Reserve for Encumbrances, December 31	 \$1,475	 \$0	 \$1,475

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as a body corporate and politic. A six-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. Those subdivisions are Columbia Township, the Village of Fairfax, and the Village of Newtown. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and 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. The District has all cash deposits in an interest bearing checking account.

D. Fund Accounting

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

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 Special Revenue Fund:

Fire District Fund - This fund receives state grants for equipment purchases and training.

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

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law. However, the District had 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.

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

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

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

2. Equity in Pooled Cash and Investments (Continued)

	2007	2006
Demand deposits	\$109,094	\$444,607
Certificates of deposit	25,000	
Total deposits	134,094	444,607
Repurchase agreement	797,491	0
Total investments	797,491	0
Total deposits and investments	\$931,585	\$444,607

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. At December 31, 2006, \$297,951 of deposits were not insured or collateralized, contrary to Ohio law.

Investments: The Federal Reserve holds the District's U.S. Treasury Notes in book-entry form in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities.

A financial institution's trust department holds the District's equity securities in book entry form in the District's name.

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	\$1,984,687	\$2,712,371	\$727,684
Special Revenue	128,888	128,888	0
Total	\$2,113,575	\$2,841,259	\$727,684

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,898,104	\$2,330,159	(\$432,055)
Special Revenue	26,085	26,085	0
Total	\$1,924,189	\$2,356,244	(\$432,055)

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

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,441,363	\$1,556,327	\$114,964
Special Revenue	119,931	119,931	0
Total	\$1,561,294	\$1,676,258	\$114,964

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,578,660	\$1,523,831	\$54,829
Special Revenue	22,170	22,170	0
Total	\$1,600,830	\$1,546,001	\$54,829

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the 2007 General Fund by \$432,055.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Municipal equipment Lease 2002	\$76,371	5%
Municipal equipment Lease 2007	200,000	4.69%
Total	\$276,371	

The District entered into a municipal lease agreement with American Financial Network, Inc. in September 2002 for a rescue style pumper and an ambulance. The District's taxing authority collateralized the bonds.

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

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

5. Debt (Continued)

The District entered into a municipal lease agreement through the Ohio Capital Asset Financing Program in September 2007 for an ambulance, pickup truck, and staff car. The District's taxing authority collateralized the bonds.

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

Year ending December 31:	Municipal Lease Agreement 2002	Municipal Lease Agreement 2007
2008	\$53,450	\$45,338
2009	26,725	45,338
2010	0	45,338
2011	0	45,338
2012	0	45,338
Total	<u>\$80,175</u>	<u>\$226,690</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2007 and 2006, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

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.

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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*

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

To the Board of Trustees:

We have audited the financial statements of the Little Miami Joint Fire and Rescue District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 7, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 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 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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-004.

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, of the significant deficiencies described above, we believe findings number 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 7, 2008.

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 2007-001 through 2007-005.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 7, 2008.

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



Mary Taylor, CPA
Auditor of State

November 7, 2008

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by Ohio Admin. Code Section 117-2-03. Ohio Admin. Code Sections 117-2-02(D) provides that the accounting records to be maintained include in part the following records:

1. Cash journal, which typically contains information on the amount, date, receipt number, check number, account code, purchase order number, and any other information to properly classify each transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt for each fund and contains information on the amount, date, name of the payor, purpose, and receipt number.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution.
4. Payroll records, including Form W-2's, Form W-4's, and other withholding records and authorizations.
5. Capital asset records, including such information as the original cost, acquisition date, associated voucher number, the asset type (i.e., land, building, vehicle, etc.) asset description, location, and tag number.

Ohio Admin. Code, Section 117-2-02(E), requires that each local public office should establish a capitalization threshold so that, at a minimum, eighty percent (80%) of the local public office's non-infrastructure assets are identified, classified, and recorded on the financial records.

In reviewing the District's records for 2007 and 2006, we noted that the District:

1. maintained a receipt ledger, but it did not contain information on estimated receipts (and related balances of available resources). In reviewing the receipts records, we noted that the District did not use pre-numbered, duplicate receipt forms. We also noted that the District did not post three out of 31 (10%) receipts to the proper account and entirely omitted some receipts not posted to the system. The District did not post estimated to the accounting system.
2. did not maintain an appropriation ledger and we noted the District posted lease payments to vehicle purchase instead of capital outlay.
3. recorded investment purchases as transfers in and out in the receipts and disbursements which overstated the receipts and disbursements in the annual report.
4. did not maintain capital asset records nor did it establish a fixed asset capitalization threshold.

**FINDING NUMBER 2007-001
(Continued)**

5. did not maintain Form W-4's, records of retirement system participation, and withholding authorizations in the personnel files.

6. did not establish a separate fund to account for a state training grant received in 2007. This grant had receipts of \$3,000 and disbursements of \$3,000 during 2007. The District kept separate track of the receipt and disbursements for this fund.

7. did not prepare accurate bank reconciliations for the audit period. At December 31, 2007, the District's bank balance was more than the book balance by \$212 and at December 31, 2006 the book was more than the bank balance by \$138 due to prior year posting errors.

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

Failure to accurately prepare and reconcile the accounting records reduces the accountability over District's funds and reduces the Board's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the District's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

We recommend the District review its accounting records to ensure retention of all required records. To help ensure that all receipts are accounted for, the District should use pre-numbered receipt documents. To help ensure compliance with budgetary law, the District should post estimated receipts and appropriations to the accounting system. In addition, the District should utilize the capabilities of the computerized accounting system in generating reports which compare estimated receipts to actual receipts and appropriations to disbursements, and present such reports to the Board of Trustees for review and approval. Implementation of such procedures will add a substantial measure of assurance that the District properly accounts for financial activity and fairly presents the information for external reporting purposes.

Budgetary Accounting System Reports

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

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Rev. Code, Section 135.12(B), states that the Board shall meet every five years on the third Monday or such regularly scheduled meeting date of the month next preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation. The designation and award shall be made in duplicate; one copy shall be retained by the governing board of the subdivision and one copy shall be certified to the treasurer.

The previous depository agreement expired on January 15, 2005 and did not enter into a new depository agreement until June 20, 2008. Failure to designate an appropriate public depository could put public funds at risk if they are not properly insured. We recommend the District secure a depository agreement with the proper public depository before the preceding depository agreement expires. This will protect the District from a loss of funds in case of depository failure.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Rev. Code, Section 135.18(A), provides that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

At December 31, 2007, the District had \$252,737 of deposits in excess of FDIC coverage that were not insured or collateralized due to a lapse in the depository agreement. Failure to properly collateralize deposits could result in a loss of public funds. We recommend that the District periodically review collateralization to ensure adequate safeguarding of all public monies.

FINDING NUMBER 2007-004

Noncompliance/ Significant Deficiency

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. However, this did not result in a negative fund balance for this fund.

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not consistently implement procedures for the use of purchase orders. The District did not properly certify the availability of funds for purchase commitments for 44% of expenditures tested for 2007 and 75% of expenditures tested for 2006 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2007-004
(Continued)**

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 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 District officials and employees obtain the 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 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 Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

In fiscal year 2007, the District did not date the blanket certificates which could result in amounts being spent in the incorrect year. In fiscal year 2006, the District did not maintain a running total for the blanket certificates which could result in overspending. We recommend the District date all blanket certificates and maintain accurate balances. We also recommend that the District establish a maximum amount for blanket certificates by resolution.

FINDING NUMBER 2007-005

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making any expenditures of money unless it has been properly appropriated. The District's expenditures in the General Fund exceeded appropriations by \$432,055. This amount exceeds appropriations by 23% of the General Fund's appropriations.

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Finance Officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the District should monitor the District's budgetary receipts and expenditures by having the Finance Officer provide budgetary reports at least quarterly to be reviewed and approved by the 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. The District should refer to the Ohio Compliance Supplement for guidance on the legal budgetary process.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT
HAMILTON 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; <i>Explain</i>
2005-001	Failure to accurately reconcile the bank to the book	No	Reissued as Finding 2007-001
2005-002	Ohio Admin. Code Section 117-2-02(A), failure to maintain proper books and financial statements	No	Reissued as Finding 2007-001
2005-003	Ohio Revised Code Section 135.18(A), failure to properly collateralize deposits	No	Reissued as Finding 2007-004
2005-004	Ohio Revised Code Section 5705.41(D), failure to properly certify funds	No	Reissued as Finding 2007-005
2005-005	Ohio Revised Code Section 5705.36, estimated receipts exceeded actual receipts	Yes	



Mary Taylor, CPA
Auditor of State

LITTLE MIAMI JOINT FIRE AND RESCUE DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2008**