



**Auditor of State
Betty Montgomery**

**CAMDEN –SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Camden-Somers Township Fire District
Preble County
328 West Hendricks Road
P.O. Box 206
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of Camden-Somers Township Fire District, Preble County, Ohio (the District), as of and for the year ended December 31, 2001. 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.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

The District did not provide sufficient documentation supporting payroll expenditures. Without this evidential matter, we were unable to obtain sufficient information regarding the payroll or to satisfy ourselves regarding the validity of the underlying transactions through other audit procedures. The payroll expenditures are included in the General Fund.

The accompanying financial statements present disbursements, except for loan principal and interest, by fund type total only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify disbursement transactions.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to audit the District's payroll in the General Fund; and the omission of disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 2001, and its combined cash receipts and unclassified disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 8, effective January 1, 2002, the Camden-Somers Township Fire District joined with the Village of Camden fire department to become the Camden-Somers Fire and Rescue Protection District. The Camden-Somers Fire and Rescue Protection District assumed the assets of the Village of Camden fire department, and is responsible for any liabilities incurred by the Village of Camden fire department prior to January 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 29, 2004

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$86,865	\$0	\$86,865
Intergovernmental	5,183		5,183
Earnings on Investments	2,916		2,916
Misc	<u>2,292</u>		<u>2,292</u>
Total Cash Receipts	<u>97,256</u>	<u>0</u>	<u>97,256</u>
Cash Disbursements:			
Debt Service:			
Redemption of Principal		14,971	14,971
Interest		1,643	1,643
Unclassified	<u>92,199</u>		<u>92,199</u>
Total Cash Disbursements	<u>92,199</u>	<u>16,614</u>	<u>108,813</u>
Total Receipts Over/(Under) Disbursements	<u>5,057</u>	<u>(16,614)</u>	<u>(11,557)</u>
Fund Cash Balances, January 1	<u>117,302</u>	<u>3,386</u>	<u>120,688</u>
Fund Cash Balances, December 31	<u>\$122,359</u>	<u>(\$13,228)</u>	<u>\$109,131</u>
Reserves for Encumbrances, December 31	<u>\$7,760</u>	<u>\$0</u>	<u>\$7,760</u>

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

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**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Camden-Somers Township Fire District, Preble County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed six-member Board of Trustees. 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

The District did not classify certain disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The District maintained an interest bearing checking account, a savings account, and certificates of deposit. The certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of debt.

E. Budgetary Process

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

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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 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. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001
Demand deposits	<u>\$97,357</u>
Certificates of deposit	<u>11,774</u>
Total deposits	<u><u>\$109,131</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,350	\$97,256	\$22,906
Debt Service	20,000	0	(20,000)
Total	\$94,350	\$97,256	\$2,906

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,539	\$99,959	\$32,580
Debt Service	20,000	16,614	3,386
Total	\$152,539	\$116,573	\$35,966

Contrary to Ohio law, expenditures exceeded available resources in the Debt Service fund by \$13,228. This resulted in a negative fund balance of the same amount.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Loan	<u>\$15,910</u>	6.00%

The District obtained debt in order to purchase a fire truck. The loan was obtained in 1999 in the amount of \$45,000. The loan will be paid in semi-annual installments of \$8,307, including interest, over three years. The District gave a security interest in the fire truck to the bank as collateral for this debt.

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

	<u>Fire Truck Loan</u>
Year ending December 31: 2002	<u>\$16,614</u>

6. RETIREMENT SYSTEMS

The District's Clerk belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of PERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

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

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

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

8. SUBSEQUENT EVENTS

By resolution passed by the Village of Camden (the Village) January 7, 2002 and by Somers Township (the Township) January 14, 2002, Camden Somers Township Fire District became Camden Somers Fire and Rescue Protection District effective January 1, 2002. The District is to provide fire, ambulance, emergency medical, and rescue services to the residents within these two areas. They are to be governed by a Board made up of three representatives appointed by the Village and three representatives appointed by the Township, known as the Camden Somers Fire and Rescue Protection District Board of Trustees.

The Village of Camden transferred \$54,400 in cash to the District, which represented the remaining fund balance for the fire department. This is reported as other financing sources in the financial statements. An emergency squad including equipment therein was transferred to the District, and four Emergency Medical Service persons from the Village became employees of the District. A new fire protection and emergency medical services levy was voted on and passed in 2001, and the proceeds from this levy support the new District. All prior special district levies and fire levies for the Village of Camden and the Camden-Somers Township Fire District were removed and are no longer applicable.

9. COMPLIANCE

Contrary to Ohio law, the District did not maintain the required accounting system and accounting records.

Contrary to Ohio law, expenditures exceeding \$10,000 were not properly bid.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Camden-Somers Township Fire District
Preble County
328 West Hendricks Road
P.O. Box 206
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of Camden-Somers Township Fire District, Preble County, Ohio (the District), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 29, 2004, which was qualified due to lack of sufficient documentation for payroll expenditures and because the District did not classify certain disbursements in its financial statements. Except for the above, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-001 through 2001-007.

We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated July 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-001 and 2001-008 through 2001-010.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited July occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-001 and 2001-008 through 2001-010 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated July 29, 2004.

This report is intended solely for the information and use of management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 29, 2004

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-001

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. Per Ohio Admin. Code, Section 117-2-02(C) and (D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction. The District maintained a cash journal for about four month of the audit period; the remainder of the cash journal was partially completed by the new clerk during audit. The cash journal did not include estimated receipts and did not utilize account classifications to facilitate preparation of the District's annual financial report. The cash journal did not agree to the cash reconciliations.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The District did not maintain a receipt ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The District did not maintain an appropriation ledger.

All of these conditions exhibit a lack of control over the recording and reporting of the District's financial activity and did result in inaccurate accounting records. Using the aforementioned accounting records will provide the District with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Due to the unavailability of records supporting the receipts and disbursement classifications in the District's annual financial report, unclassified receipts and disbursements are reported in the audited financial statements. We recommend the District reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the District's ledgers and financial reports.

The District did not have an annual report, ledgers or a complete cash journal for the audit period. The clerk at the start of the audit attempted to complete the cash journal for 2001 based on information that was available to her at the time. We performed a proof of cash due to incomplete and inaccurate records. Checks were not used sequentially.

Unclassified statements [except for items whose classifications are easily determinable] are being issued.

FINDING NUMBER 2001-002

Material Noncompliance

Ohio Rev. Code, Section 117.38, provides that each public office, other than a state agency, shall file an annual financial report for each fiscal year. The Auditor of State may prescribe form by rule or may issue guidelines, or both for such report. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. The public office shall publish notice of the annual report completion in the paper as well.

The District did not file an annual report with the Auditor of State, and did not publish notice of the availability of its annual report.

FINDING NUMBER 2001-003

Material Noncompliance

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42, Revised Code.

The District did not have the following available for review:

- Signed contracts to provide fire and ambulance services to Gasper Township.
- Various debt documents for the audit period –these were obtained from the bank.
- Payroll calculation documentation, deduction authorization forms, and retirement forms.
- Various grant documents.
- Bid Contract documentation for all projects over \$10,000.
- Bonds for the Clerks during the audit period.
- Various budgetary documentation that is required to be completed and filed with the County Auditor.
- Collateral statements for First Financial Bank throughout the audit period.

The District should maintain the required public documents. Prior to destroying any documents they should refer to the rules of the records commission.

FINDING NUMBER 2001-004

Material Noncompliance

Ohio Rev. Code, Section 505.376, requires that when any expenditure of a fire and ambulance district, other than for the compensation of district employees, exceeds ten thousand dollars (twenty-five thousand dollars effective 6/26/03), the contract for the expenditure shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the district. The bids shall be opened and shall be publicly read by the clerk of the district, or the clerk's designee, at the time, date, and place specified in the advertisement to bidders or the specifications. The time, date, and place of bid openings may be extended to a later date by the board of trustees of the district, provided that written or oral notice of the change shall be given to all persons who have received or requested specifications no later than ninety-six hours prior to the original time and date fixed for the opening.

The District did not provide supporting documentation that the two projects or expenditures over ten thousand dollars were bid or purchased through State purchasing.

FINDING NUMBER 2001-005

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A), requires all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources, and that the expenditure or the incurrence of obligations will be greater than actual resources. The intent of this requirement is to require the fiscal officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the probability that deficit spending will occur. The estimated receipts exceeded actual receipts in the amount of \$20,000 and actual disbursements exceeded actual resources in the amount of \$13,228 for the District, in the debt service funds, resulting in a negative fund balance.

The District did not certify deficiencies and obtain reduced amended certificates from the budget commission. We recommend the District monitor receipts and obtain amended certificates of estimated resources as necessary.

FINDING NUMBER 2001-006

Material Noncompliance

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 as 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.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 2001-006
(Continued)**

- B. If the amount involved is less than \$1,000 (\$3,000, effective 4/7/03), the Clerk may authorize payment through a Then and Now certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds for purchase commitments for eighty-seven percent of expenditures tested and neither of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-007

Material Noncompliance

Fund Balance

Ohio Rev. Code, Section 5705.10, requires that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The District's debt service fund had a negative fund balance of \$13,228 at 12/31/01.

FINDING NUMBER 2001-008

Material Weakness

Accounting and Financial Reporting

The following weaknesses in accounting and financial reporting were noted during the audit:

- The District did not keep complete and accurate records of all of their financial activity,
- Checks were written out of sequence,
- The District's cash reconciliations did not include the savings account and one CD. Bank to book reconciliations were not completed, and outstanding more than one year old were still on the books. A proof of cash was performed and audit adjustments proposed,
- The District did not include all debt activity on their books, and supporting documentation for the various loans was not available for review. Adjustments were proposed by audit to include all debt activity,
- Encumbering was not used by the District to monitor their spending limits, and actual receipts and disbursements were not monitored against the budgeted amounts,
- Proper payroll records were not maintained to support the amounts paid to the employees, and
- An annual report was not prepare and submitted to the Auditor of State.

The weaknesses above resulted in incomplete and inaccurate financial records. Failure to correct these weaknesses could result in a misappropriation of funds without timely detection, and overspending. We recommend that the District:

**FINDING NUMBER 2001-008
(Continued)**

- Properly reconcile their cash on a monthly basis and include all cash and investments of the District.
- Write and maintain their checks in numerical sequence.
- Include all activity of the District on their books, including budgeted receipts and disbursements, and
- Maintain detailed payroll records and supporting documentation of all pay calculations,
- Prepare and submit their annual report,

FINDING NUMBER 2001-009

Material Weakness

Operations Oversight

The District's Board of Trustees did not exercise management oversight in the operations of the District. This lack of oversight is illustrated by the following:

- The records of the District were in disarray. Some financials records either did not exist or could not be located.
- The required annual report was not prepared or filed with the AOS.
- The District provides fire and EMT services to entities without written and/or signed contracts. As a result, we could not verify the level of service agreed to or the fee to be paid for the services provided.
- The financial ledgers and cash reconciliations did not include all of the activity and accounts of the District.
- Transactions over \$10, 000 were not bid or the documentation could not be provided to show that they were bid.
- The District did not complete various required budgetary documents and/or take required actions.
- Actions were not taken by the Board to ensure that the required documents were available for audit after receiving a 90 day letter from the Auditor of State, and thus delaying the audit and increasing the cost.
- The District did not properly encumber eighty seven percent of the expenditures tested.
- The District did not have collateral statements for deposit amounts exceeding FDIC coverage.
- Proper notification procedures for dissolving and creating new public offices were not followed when the District changed from a Fire District to a Fire and Rescue Protection District.
- The District did not have authorization documented for the pay rate of the Chief or the Clerk during the audit period; in the minutes or in personnel files. Also, some of the extra pay did not have authorization documented [ie officer's pay and meeting pay].

**FINDING NUMBER 2001-009
(Continued)**

The lack of management oversight increases the risk of fraud and the material misstatement of the financial statements, noncompliance with laws and regulations, and the misappropriation of District monies. The Board is the executive branch of the District and should provide operations oversight for the District. We recommend that the Board become familiar with the various requirements for the District; keep a calendar of required actions, and maintain better oversight over the operations of the District.

FINDING NUMBER 2001-010

Material Weakness

Payroll

The following deficiencies were noted during review of the payroll cycle. These deficiencies resulted in a qualified financial statement opinion.

- Specific job classifications were not approved and documented in the minutes or maintained in a personnel file. As a result, we could not determine whether an employee was a volunteer, contractor, or a regular employee of the district.
- Current pay rates and special pay rates were not approved and documented in the minutes or maintained in a personnel file. As a result, we could not verify that the amounts paid by the District were accurate.
- There were no written policies and procedures in place for payroll. As a result, there were no District guidelines to support employee or payroll processing.
- Payroll ledgers were not maintained by the District. This resulted in unsupported payroll amounts.
- Documentation provided by the District to support the calculation of pay for fire and emergency runs did not agree to the amount paid.

Failure to officially designate employee classifications; set pay rates; make provisions for special conditions; establish policies and procedures; and maintain adequate supporting documentation related to payroll could result in inaccurate or incomplete payments. Also, it hinders the District's ability to answer questions that an employee may have regarding their payroll.

The District should implement the following for their payroll cycle:

- The Board of Trustee for the District should officially authorize each employee/position classification, and set pay rates for the various positions. Any special pay or special conditions should be included as an official action.
- Written policies and procedures should be adopted by the Board of Trustees for employee and payroll processing.
- Payroll ledgers and supporting documentation should be maintain by the District for all employees, positions, special pays, payroll calculations and withholdings, squad runs, etc.

**CAMDEN-SOMERS TOWNSHIP FIRE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40368-001	ORC 5705.41(B), expenditures exceeded appropriations	YES	
2000-40368-002	ORC 5705.41(D), failure to properly certify the availability of funds	NO	Reissued as finding # 2001-006
2000-40368-003	ORC 117.38, failure to file annual report	NO	Reissued as finding # 2001-002
2000-40368-004	Failure to maintain adequate supporting documentation for payroll	NO	Reissued as finding # 2001-010



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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Facsimile 614-466-4490

CAMDEN SOMERS TOWNSHIP FIRE DISTRICT

PREBLE 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
AUGUST 17, 2004**