



**Auditor of State
Betty Montgomery**

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

Camden-Somers Fire and Rescue Protection District
Preble County
111 West Central Avenue
Camden, Ohio 45311

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

November 17, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Camden-Somers Fire and Rescue Protection District
Preble County
111 West Central Avenue
Camden, Ohio 45311

To the Board of Trustees:

We have audited the accompanying financial statements of the Camden-Somers Fire and Rescue Protection District, Preble County, Ohio (the District), as of and for the years ended December 31, 2004 and 2003. 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 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 processed its financial transactions with the Auditor of State's Uniform Accounting Network (UAN) during 2004. *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.

The accompanying financial statements for 2003 present receipts and disbursements, except for local taxes, intergovernmental receipts, earnings on investments, proceeds of loan, debt service principal and interest, and capital outlay, by fund type total only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 year ended December 31, 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 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, except for such adjustments if any as might have been determined to be necessary had the receipt and disbursement classifications not been omitted for 2003, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Camden-Somers Fire and Rescue Protection District, Preble County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 November 17, 2005, 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

November 17, 2005

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Cash Receipts:	
Local Taxes	\$241,966
Intergovernmental	44,050
Charges for Services	215,566
Earnings on Investments	2,123
Miscellaneous	<u>5,962</u>
Total Cash Receipts	<u>509,667</u>
Cash Disbursements:	
Current:	
Security of Persons and Property	210,408
General Government	224,238
Other	
Debt Service:	
Redemption of Principal	36,987
Interest	<u>11,500</u>
Total Cash Disbursements	<u>483,133</u>
Total Receipts Over Disbursements	26,534
Fund Cash Balances, January 1	<u>209,179</u>
Fund Cash Balances, December 31	<u><u>\$235,713</u></u>

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

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

Cash Receipts:	
Local Taxes	\$234,594
Intergovernmental	51,709
Earnings on Investments	2,294
Unclassified	<u>96,229</u>
Total Cash Receipts	<u>384,826</u>
Cash Disbursements:	
Current:	
General Government	6,382
Debt Service:	
Redemption of Principal	13,674
Interest	4,320
Capital Outlay	238,805
Unclassified	<u>313,190</u>
Total Cash Disbursements	<u>576,371</u>
Total Receipts (Under) Disbursements	<u>(191,545)</u>
Other Financing Receipts:	
Proceeds of Loans	<u>181,318</u>
Total Other Financing Receipts	<u>181,318</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(10,227)
Fund Cash Balances, January 1, as restated	<u>219,406</u>
Fund Cash Balances, December 31	<u><u>\$209,179</u></u>

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

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Camden-Somers Fire and Rescue Protection District, Preble County, Ohio (the District), as a body corporate and politic. A six-member Board of Trustees governs the District. Three representatives are appointed by the Village of Camden and three representatives are appointed by Somers Township. The District was created January 14, 2002 by resolution of the Village of Camden and Somers Township. The District provides fire, ambulance, emergency medical, and rescue services to the residents throughout the combined geographic boundaries of the Village of Camden and Somers Township. The District has contracts to provide services to Israel Township in Preble County, Gasper Township in Preble County, and Village of Somerville in Butler County.

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).

The District did not classify certain receipts and disbursements in the accompanying financial statements for 2003. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

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 the General Fund to account for all financial resources.

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 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.

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 canceled, and reappropriated in the subsequent year. The District did not use the encumbrance method of accounting during 2003. The District did not properly encumber all commitments in 2004.

A summary of 2004 and 2003 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 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:

	2004	2003
Demand deposits	\$223,679	\$197,203
Certificates of deposit	12,034	11,976
Total deposits	\$235,713	\$209,179

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$498,000	\$509,667	\$11,667

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$576,775	\$483,133	\$93,642

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$566,144	\$566,144

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$256,650	\$576,371	(\$319,721)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund for the year ended December 31, 2003.

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.

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, 2004 was as follows:

	Principal	Interest Rate
2002 Fire Truck Loan	80,105	4.00%
2003 Emergency Squad Loan	158,551	4.25%
Total	\$238,656	

The District obtained debt in the amount of \$108,000 in 2002 for the purpose of purchasing new fire trucks. The loan is to be paid in annual installments of \$17,994, including interest, over seven years. The District gave a security interest in the fire trucks to the bank as collateral for this debt.

The District obtained debt in the amount of \$181,318 in 2003 for the purpose of purchasing new emergency squads. The loan is to be paid in annual installments of \$30,494, including interest, over six years. The District gave a security interest in the emergency squads to the bank as collateral for this debt.

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Fire Truck Loan	Emergency Squad Loan
2005	\$17,994	\$30,494
2006	17,994	30,494
2007	17,994	30,494
2008	17,994	30,494
2009	17,994	30,494
2010	30,494	30,494
Total	<u>\$89,970</u>	<u>\$182,964</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, 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 Camden-Somers Fire and Rescue Protection District has obtained commercial insurance for the following risks:

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

8. COMPLIANCE

The District did not maintain the required accounting system and accounting records for the year ended December 31, 2003.

The District did not provide all requested documents for audit.

The District did not certify to the County Auditor their Certificate of Estimated Resources or their Certificate of the Total Amount From All Sources Available for Expenditures for 2003.

The District had appropriations that exceeded estimated revenue.

The District did not file its 2003 annual report and did not publish its availability in a local newspaper.

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. PRIOR PERIOD ADJUSTMENT

The District only uses the General Fund to record all District activity. In the prior audit report, a reclassification to record the payment of truck loans out of a Debt Service was unnecessarily performed. Therefore, a reclassification is being made to record all District activity back in the General Fund.

	<u>General Fund</u>	<u>Debt Service</u>
December 31, 2002 Fund Balance	\$133,479	\$85,927
Reclassification	<u>85,927</u>	<u>(85,927)</u>
December 31, 2002 Fund Balance as restated	<u>\$219,406</u>	<u>\$0</u>

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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*

Camden-Somers Fire and Rescue Protection District
Preble County
111 West Central Avenue
Camden, Ohio 45311

To the Board of Trustees:

We have audited the financial statements of the Camden-Somers Fire and Rescue Protection District, Preble County, Ohio (the District), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 17, 2005, 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 and was qualified because the District did not classify certain receipts and disbursements in its 2003 financial statements. We also noted the District used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions in 2004. *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 opinion 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 2004-001 through 2004-003, 2004-008 and 2004-009.

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 reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the District's management dated November 17, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Government'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 2004-001 through 2004-007.

We intend this report solely for the information and use of management and Board of Trustees. It is not intended for 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

November 17, 2005

**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

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 required by rule 117-2-02 of the Ohio Administrative Code. 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 did not utilize a cash journal for 2003.
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 receipts ledger for 2003. The District only provided a deposit detail report that showed the deposits that were made.
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 for 2003. The District only provided a summary of the expenses by vendor.

All of these conditions exhibit a lack of control over the recording and reporting of the District's financial activity and resulted in inaccurate accounting records. Using the aforementioned accounting records will provide the District with information required to monitor compliance with the budget, and help facilitate the preparation of 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, the receipt journal, 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.

FINDING NUMBER 2004-002

Material Noncompliance/Reportable Condition

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.

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.

**FINDING NUMBER 2004-002
(Continued)**

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 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

Twenty-two percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions during 2003. Seventy-seven percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions during 2004. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the 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 certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Material Noncompliance/Reportable Condition

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 of the Revised Code.

The District did not have the following available for review for 2003:

- Monthly financial reports
- 941 federal tax form
- Five vouchers for cash disbursements
- Signed contract to provide fire and ambulance services to Gasper Township

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 2004-004

Material Noncompliance

Ohio Rev. Code, Section 5705.36, requires the fiscal officers of subdivisions and other taxing units, on or about the first day of each fiscal year, to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The District did not certify to the County Auditor their Certificate of the Total Amount from All Sources Available for Expenditures, and Balances or a Certificate of Estimated Resources for FY 2003. Failure to properly monitor budgetary activity could lead to the misspending of funds and ultimately result in negative fund balances. We recommend that the District complete and certify all required budgetary documents.

FINDING NUMBER 2004-005

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue. Appropriations exceeded estimated revenue in the General Fund in 2003 by \$256,650 due to the District not filing a Certificate of Estimated Resources. Failure to properly monitor budgetary activity could lead to the misspending of funds and ultimately result in negative fund balances. We recommend that the District complete and certify all required budgetary documents. We also recommend that the District monitor their appropriations and estimated revenues on a periodic basis.

FINDING NUMBER 2004-006

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Disbursements exceeded appropriations in 2003 in the General Fund in the amount of \$319,721. Failure to properly monitor budgetary activity could lead to the misspending of funds and ultimately result in negative fund balances. We recommend that the District monitor their disbursements and appropriations on a periodic basis. The Clerk-Treasurer should deny expenditures exceeding appropriations.

FINDING NUMBER 2004-007

Material Noncompliance

Ohio Rev. Code, Section 117.38, requires cash basis entities to file their annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The District did not file its 2003 annual report and did not publish its availability in a local newspaper. We recommend that the District file and publish its annual report as required by this Ohio Revised Code Section.

FINDING NUMBER 2004-008

Reportable Condition

The following weaknesses in accounting and financing reporting were noted during 2003:

- The District did not keep complete and accurate records of all of their financial activity;
- The District's cash reconciliations did not include the savings account and one CD.
- Encumbering was not used by the District to monitor their spending limits, and actual receipts and disbursements were not monitored against the budgeted amounts;
- An annual report was not prepared or 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:

- Properly reconcile their cash on a monthly basis and include all cash and investments of the District.
- Include all activity of the District on their books, including budgeted receipts and disbursements,
- Prepare and submit their annual report.

FINDING NUMBER 2004-009

Reportable Condition

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

- The records of the District were in disarray in 2003. Some financial records either did not exist or could not be located.
- The required annual report was not prepared or filed with the Auditor of State in 2003.
- 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 in 2003.
- The District did not complete various required budgetary documents and/or take required actions in 2003.
- The District did not properly encumber 100% of expenditures tested in 2003 and 77% of expenditures tested in 2004.

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.

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**CAMDEN-SOMERS FIRE AND RESCUE PROTECTION DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001 2001-001	ORC 117-2-02(A) , failure to maintain sufficient accounting system and accounting records.	No	Not corrected until 2004 when District began using UAN. Reissued as finding 2004-001
2002-002 2001-002	ORC 117.38 , failure to file an annual report with the Auditor of State.	No	Not corrected until 2004 when District began using UAN. Reissued as finding 2004-007.
2002-003 2001-003	ORC 149.351 , destruction of records.	No	Not corrected during 2003, reissued as finding 2004-003. There were no issues noted of destruction of records during 2004.
2002-004 2001-004	ORC 505.376 , failure to properly receive bids for expenditures over \$10,000.	Yes	
2002-005	ORC 5705.39 , appropriations exceeded estimated revenue.	No	Not corrected until 2004. Reissued as finding 2004-005.
2002-006	ORC 5705.41(B) , expenditures exceeded appropriations.	No	Not corrected until 2004. Reissued as finding 2004-006.
2002-007 2001-006	ORC 5705.41(D) , failure to properly certify the availability of funds.	No	Not corrected until 2004. Reissued as finding 2004-002.
2002-008 2001-008	Accounting and financial reporting material weaknesses.	No	Not corrected until 2004. Reissued as finding 2004-008.
2002-009 2001-009	Operations oversight material weaknesses.	No	Not corrected until 2004. Reissued as finding 2004-009.
2002-010	Failure to maintain adequate documentation for payroll disbursements.	Yes	
2001-005	ORC 5705.36(A) , estimated receipts exceeded actual receipts	Yes	
2001-007	ORC 5705.10 , negative fund balance	Yes	



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CAMDEN SOMERS FIRE AND RESCUE PROTECTION 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
DECEMBER 6, 2005**