



Dave Yost • Auditor of State





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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Southeast Hardin Northwest Union Joint Fire District  
Hardin County  
P.O. Box 123  
Mt. Victory, Ohio 43340

We have performed the procedures enumerated below, with which the Board of Trustees and the management of the Southeast Hardin Northwest Union Joint Fire District, Hardin County (the District agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2013 and 2012, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2013 and December 31, 2012 bank reconciliations. The December 31, 2013 reconciliation did not include the outstanding checks and neither reconciliation included the fund balances. The failure to present complete reconciliations impact the Board's ability to detect errors and/or irregularities in a timely manner. Reconciliations should include all reconciling items, such as outstanding checks and deposits in transit, and the book balance.
2. We attempted to agree the January 1, 2012 beginning fund balances recorded in the Ledger 2012 report to the December 31, 2011 balances in the 2011 Combined Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balances. The January 1, 2012 General Fund balance was \$309.89 greater and the Special Revenue I Fund was \$309.89 less than the balances reported at December 31, 2011. There was no explanation or evidence of Board approval for the change to the fund balances. Unexplained changes to fund balances could result in the improper use of restricted receipts or other irregularities. Changes to fund balances should be documented and be approved by the Board.

We also agreed the January 1, 2013 beginning fund balances recorded in the Ledger 2013 report to the December 31, 2012 balances in the Ledger 2012 report. We found no exceptions.

### **Cash and Investments (Continued)**

3. We attempted to agree the totals per the bank reconciliations to the total of the December 31, 2013 and 2012 fund cash balances reported in the Ledger 2013 and 2012 reports. The December 31, 2013 reconciliation was \$10,107.72 greater than the balance in the Ledger 2013 report. This variance was the result of not including outstanding checks on the reconciliation. To assist the Board in detecting errors and/or irregularities, all reconciling items should be included on the bank reconciliations. The December 31, 2012 amount agreed.
4. We confirmed the December 31, 2013 bank account balances with the District's financial institution. The checking account balance confirmed by the financial institution was \$10,102.73 greater than the amount reported on the bank reconciliation. The difference represented the amount of outstanding checks at December 31, 2013. Bank reconciliations should present the actual bank balances and then show reconciling items as a separate item. The failure to report accurate bank account balances impacts the Board's ability to detect errors and/or irregularities in a timely manner.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2013 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested investments held at December 31, 2013 and December 31, 2012 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) from Hardin County and from Union County for 2013 and one from Hardin County and Union County in 2012.
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Ledger 2013 and 2012 reports. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper fund(s) as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Ledger 2013 and 2012 reports to determine whether it included two real estate tax receipts from Hardin County and from Union County for 2013 and 2012. We noted the Ledger reports included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2013 and five from 2012. We also selected all remaining receipts from the Hardin County Expenditure History by Vendor reports for 2013 and all from 2012, and all from the Union County Apportionments by Levy for Cash Receipts, Advances, Fees and Deductions for 2013 and all from 2012.

**Property Taxes, Intergovernmental and Other Confirmable Cash Receipts (Continued)**

- a. We compared the amount from the above reports to the amount recorded in the Ledger report. The amounts agreed.
- b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

**Debt**

1. From the prior audit documentation, we noted the following Note outstanding as of December 31, 2011. These amounts agreed to the Districts January 1, 2012 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2011:
Liberty National Bank Note	\$39,715

2. We inquired of management, and scanned the Ledger reports for evidence of debt issued during 2013 or 2012 or debt payment activity during 2013 or 2012. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of note debt activity for 2013 and 2012 and agreed principal and interest payments from the related debt amortization schedule to Special Revenue II Fund for 2012 and the Special Revenue I Fund for 2013 payments reported in the Ledger reports. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.
4. For new debt issued during 2013 and 2012, we inspected the debt legislation, noting the District must use the proceeds to purchase fire rescue equipment. We scanned the Ledger reports and noted the District purchased fire rescue equipment of \$30,528 before the \$21,000 debt loan was received in August 2012.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2013 and one payroll check for five employees from 2012 from the Payroll Ledger Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Ledger report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We recomputed gross and net pay and agreed it to the amount recorded in the Payroll Ledger report. We found no exceptions.
  - c. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the Payroll Ledger report. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the Payroll Ledger report was consistent with the information used to compute gross and net pay related to this check:

**3. Payroll Cash Disbursements (Continued)**

- a. Name
- b. Authorized salary or pay rate
- c. Department(s) and fund(s) to which the check should be charged.
- d. Retirement system participation and payroll withholding.
- e. Federal, State & Local income tax withholding authorization and
- f. Any other deduction authorizations (deferred compensation, etc.)
- g. Fund to which the check should be charged.

We found no exceptions related to the steps above.

4. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2013 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2013. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare	January 31, 2014	December 28, 2013	\$1,009.03	\$1,009.03
State income taxes	January 31, 2014	December 28, 2013	\$28.63	\$28.63
Kenton CSD	January 31, 2014	December 28, 2013	\$28.16	\$28.16
Ridgmont LSD	January 31, 2014	December 28, 2013	\$33.73	\$33.73
North Union LSD	January 31, 2014	December 28, 2013	\$5.34	\$5.34
Village of Mt. Victory	January 31, 2014	December 28, 2013	\$110.94	\$110.95
OPERS retirement	December 31, 2014	December 9, 2013	\$60.00	\$60.00

**Non-Payroll Cash Disbursements**

1. From the Ledger report, we re-footed checks recorded as General Fund disbursements for salaries fireman, for 2013. We found no exceptions.
2. We haphazardly selected ten disbursements from the Ledger report for the year ended December 31, 2013 and ten from the year ended 2012 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Ledger report and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
  - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found two instances where disbursements requiring certification were not certified. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

### Compliance – Budgetary

1. We attempted to compare the total estimated receipts from the *Certificate of the Total Amount From All Sources Available for Expenditures and Balances* required by Ohio Rev. Code Section 5705.36(A)(1) to the amounts recorded in the accounting records for 2013 and 2012. The District did not file the year-end report with the county auditor for either 2013 or 2012. The failure to file this report with the county auditor prevents the budget commission from approving subsequent budgetary documents. The District should develop a control(s), such as reminder system to help assure this year-end report is filed with the county auditor on or about the first day of each year. In addition, the approved estimated receipts should be recorded in the accounting records to permit the monitoring of budgeted versus actual receipts. The failure to monitor budget versus actual receipts inhibits the Board and Fiscal Officer's ability to identify negative trends in receipt collections in a timely manner.
2. We scanned the appropriation measures adopted for 2013 and 2012 to determine whether, for the General, Special Revenue I and Special Revenue II funds, the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions, however, the District did not file their appropriations with the County Auditor.

Ohio Rev. Code § 5705.39 states, in part, no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The District should adopt a control(s) such as a reminder system to help assure appropriations are filed with the county auditor.

3. We attempted to compare total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the District's accounting records for 2013 and 2012 for the following funds: General, Special Revenue I and Special Revenue II funds. The District did not record the appropriations in the accounting records. The failure to record appropriations in the accounting records inhibits the Board and Fiscal Officer's ability to monitor budget versus actual disbursements. The lack of an effective method of monitoring budget versus actual disbursements may result in disbursements in excess of appropriations which may lead to deficit spending.
4. Ohio Rev. Code Sections 5705.36(A)(50) and 5705.39 prohibit appropriations from exceeding the certified resources. We attempted to compare total appropriations to total certified resources for the District's funds for years ended December 31, 2013 and 2012. We were unable to complete this step since the District had not filed the *Certificate of the Total Amount From All Sources Available for Expenditures and Balances* with the county auditor.

The failure to file this report prevented the county auditor from certifying resources to the District. The lack of certified resources may result in the District appropriating more than the available resources which may lead to deficit spending. The District should adopt a control(s) such as a reminder system, to help assure this report is filed on or about the first day of each year.

**Compliance – Budgetary (Continued)**

5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures as recorded in the Credit Expenses by Code report to total appropriations for the years ended December 31, 2013 and 2012 for the General, Special Revenue I and Special Revenue II funds. We noted no funds for which expenditures exceeded appropriations. As noted in Step 3 above, appropriations were not recorded in the accounting records.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Ledger 2013 and 2012 reports for evidence of new restricted receipts requiring a new fund during December 31, 2013 and 2012. We also inquired of management regarding whether the District received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the District to establish a new fund.
7. We scanned the Ledger 2013 and 2012 reports for evidence of inter-fund transfers exceeding \$1000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Ledger 2013 and 2012 reports to determine whether the District elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the District did not establish these reserves however; the District used the SR II Fund (previously used to pay debt that was retired in 2012), and unofficially established a fund to set aside resources for the purchase of a new fire truck in 2014.

**Ohio Rev. Code § 5705.13 (C)** states that a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. For the purposes of this section, "fixed assets" includes motor vehicles. More than one capital projects fund may be established and may exist at any time. The ordinance or resolution shall identify the source of the money to be used to acquire, construct, or improve the fixed assets identified in the resolution or ordinance, the amount of money to be accumulated for that purpose, the period of time over which that amount is to be accumulated, and the fixed assets that the taxing authority intends to acquire, construct, or improve with the money to be accumulated in the fund.

The District set aside money in 2013 and 2012 by transferring money from the SR1 Fund to the SR2 Fund for the purchase of a new fire truck. The District did not pass a resolution or ordinance to establish this set-aside fund. In addition, the balance in this account was \$123,446 as of December 31, 2013, and was \$43,446 as of December 31, 2012, which exceeds the 5% limit of total receipts.

If the District intends to set aside money for future capital asset purchases they should comply with the requirements of Ohio Rev. Code Section 5705.13(C).

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the District, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 29, 2014

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# Dave Yost • Auditor of State

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT**

**HARDIN 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  
SEPTEMBER 9, 2014**