



Mary Taylor, CPA  
Auditor of State



**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

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

To the Board of Trustees:

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

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**Mary Taylor, CPA**  
Auditor of State

August 21, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the District), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 21, 2008



**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$38,954	\$139,035	\$36,752	\$214,741
Intergovernmental	4,451	20,562		25,013
Interest - Checking	203			203
Interest - STAR Ohio	9,396			9,396
Interest - Certificates of Deposit	692			692
Training Grant		300		300
Hardin County Foundation Grant		1,000		1,000
Rent	1,500			1,500
Miscellaneous	620	2,463		3,083
Total Cash Receipts	<u>55,816</u>	<u>163,360</u>	<u>36,752</u>	<u>255,928</u>
<b>Cash Disbursements:</b>				
<b>Administrative</b>				
Salary - Clerk	3,278			3,278
Travel & Other Expenses	1,737			1,737
Supplies	1,820			1,820
Equipment	146	871		1,017
Insurance	1,736			1,736
Legal Counsel	819			819
Workers Compensation	4,031			4,031
Auditor's & Treasurer's Fees	1,068	4,849		5,917
Other Expenses	2,412	232		2,644
<b>Building</b>				
Salaries	831			831
Utilities	8,803			8,803
Maintenance Supplies	217			217
Repairs	748			748
Site Improvements		2,973		2,973
Other Expenses	696			696
<b>Public Safety</b>				
Salaries - Firemen	16,681			16,681
Insurance		12,409		12,409
Equipment Purchases & Replacements		289,117		289,117
Supplies		6,671		6,671
Repairs		11,272		11,272
Other Expenses		3,561		3,561
Fire Equipment Lease		57,409		57,409
<b>Debt Service:</b>				
Redemption of Principal		37,266	31,793	69,059
Interest		2,734	4,959	7,693
Total Cash Disbursements	<u>45,023</u>	<u>429,364</u>	<u>36,752</u>	<u>511,139</u>
Total Receipts Over/(Under) Disbursements	10,793	(266,004)		(255,211)
<b>Other Financing Receipts:</b>				
Loan Proceeds		270,420		270,420
Sale of Vehicle		4,750		4,750
Total Other Financing Receipts		<u>275,170</u>		<u>275,170</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	10,793	9,166		19,959
Fund Cash Balances, January 1	<u>85,256</u>	<u>100,237</u>		<u>185,493</u>
Fund Cash Balances, December 31	<u>\$96,049</u>	<u>\$109,403</u>	<u>\$0</u>	<u>\$205,452</u>

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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$37,889	\$101,381	\$36,752	\$176,022
Intergovernmental	4,300	16,010		20,310
Interest - Checking	480			480
Interest - STAR Ohio	4,973			4,973
Interest - Certificates of Deposit	692			692
Fire Grant		8,000		8,000
Training Grant		1,598		1,598
Rent	1,500			1,500
Miscellaneous	140	277		417
Total Cash Receipts	<u>49,974</u>	<u>127,266</u>	<u>36,752</u>	<u>213,992</u>
<b>Cash Disbursements:</b>				
<b>Administrative</b>				
Salary - Clerk	2,242			2,242
Travel & Other Expenses	1,515			1,515
Supplies	1,484			1,484
Insurance	1,736			1,736
Legal Counsel	1,438			1,438
Workers Compensation	7,904			7,904
Auditor's & Treasurer's Fees	1,039	3,785		4,824
Assessments & Contributions	150			150
Other Expenses	1,194	4,164		5,358
State Auditor's Fee	1,388			1,388
<b>Building</b>				
Salary	672			672
Maintenance Supplies & Materials	472			472
Utilities	8,372			8,372
Other Expenses	639			639
<b>Public Safety</b>				
Salaries - Firemen	10,297			10,297
Insurance		11,277		11,277
Equipment Purchases & Replacements		10,416		10,416
Supplies		4,097		4,097
Repairs		5,162		5,162
Other Expenses		1,455		1,455
Fire Equipment Lease		64,185		64,185
<b>Debt Service:</b>				
Redemption of Principal			30,294	30,294
Interest			6,458	6,458
Total Cash Disbursements	<u>40,542</u>	<u>104,541</u>	<u>36,752</u>	<u>181,835</u>
Total Receipts Over(Under) Disbursements	9,432	22,725		32,157
Fund Cash Balances, January 1	<u>75,824</u>	<u>77,512</u>		<u>153,336</u>
Fund Cash Balances, December 31	<u>\$85,256</u>	<u>\$100,237</u>	<u>\$0</u>	<u>\$185,493</u>

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

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeast Hardin Northwest Union Joint Fire District, Hardin County (the District), as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Dudley Township and Hale Township in Hardin County, Washington Township in Union County, and the Village of Mount Victory in Hardin County. The District provides fire protection within 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

**Fire Apparatus Levy Fund** - This fund is used to account for the proceeds of a 2.9 mill continuing tax levy passed November 7, 2000 that is restricted to purchasing and maintaining fire apparatus, appliances, buildings, or sites.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Debt Service Funds**

These funds account for resources to pay bond and note debt. The District's Bond Fund accounts for the principal and interest payments on the 2001 General Obligation Bonds.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$2,322	\$5,759
Certificates of deposit	30,000	30,000
Total deposits	<u>32,322</u>	<u>35,759</u>
STAR Ohio	173,130	149,734
Total deposits and investments	<u><u>\$205,452</u></u>	<u><u>\$185,493</u></u>

**Deposits/Investments:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$49,000	\$55,816	\$6,816
Special Revenue	419,868	438,530	18,662
Debt Service	36,752	36,752	
Total	<u>\$505,620</u>	<u>\$531,098</u>	<u>\$25,478</u>

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$133,256	\$45,023	\$88,233
Special Revenue	533,901	429,364	104,537
Debt Service	36,752	36,752	
Total	<u>\$703,909</u>	<u>\$511,139</u>	<u>\$192,770</u>

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$46,000	\$49,974	\$3,974
Special Revenue	98,248	127,266	29,018
Debt Service	36,752	36,752	
Total	<u>\$181,000</u>	<u>\$213,992</u>	<u>\$32,992</u>

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$119,959	\$40,542	\$79,417
Special Revenue	177,624	104,541	73,083
Debt Service	36,752	36,752	
Total	<u>\$334,335</u>	<u>\$181,835</u>	<u>\$152,500</u>

**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.

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.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
General Obligation Bonds	\$68,386	4.95%

The District issued fire district improvement bonds to finance the construction of a new building. The bonds were issued on August 23, 2001 in the amount of \$235,000 and have maturities through December 1, 2009. Annual principal payments are due on December 1 and interest payments are due semi annually on June and December 1 starting in 2002. The bonds are collateralized solely by the District's taxing authority.

The District was required to pass a tax levy to fund this debt and to establish a bond fund to service the debt. The District failed to establish a bond fund as required by the debt agreement and Ohio Revised Code Section 5705.09(C).

	<b>Principal</b>	<b>Interest Rate</b>
Lease Purchase Agreement	\$154,971	5.47%

On March 15, 2001 the District entered into a lease purchase agreement, in the amount of \$428,606, for a new fire truck. The final payment is due in 2010. The lease payments are being paid from the District's Special Revenue Fire Apparatus Levy Fund.

	<b>Principal</b>	<b>Interest Rate</b>
Fire Apparatus Loan	\$233,154	5.50%

On July 24, 2007 the District obtained a loan in the amount of \$350,000 to finance the purchase of two fire trucks and ancillary equipment. Principal and interest payments are due on April 1st, September 1st, and December 15<sup>th</sup> starting in 2007 through 2011. In 2012, principal and interest payments are due on April 1st and July 1st. The loan is collateralized by the Districts' trucks and equipment. As of December 31, 2007 the District had received \$270,420 of the loan proceeds. During 2007, the District made principal only payments of \$37,266 on this loan. The District will present an amortization schedule after they receive the remaining balance of the loan.

The District passed a tax levy in 2006 for a period of five years to fund this debt. The levy language allows the proceeds to be used for all District operations however; the District has established a separate Special Revenue Fund to account for the proceeds of the levy along with the debt service payments.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

**5. DEBT (Continued)**

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

<u>Year ending December 31:</u>	<u>Fire District Improvement Bonds</u>	<u>Lease Purchase Agreement</u>
2008	\$36,752	\$57,409
2009	36,752	57,409
2010		57,408
2011		
2012		
Total	<u>\$73,504</u>	<u>\$172,226</u>

**6. RETIREMENT SYSTEMS**

**Ohio Public Employees Retirement System**

The District's Clerk and custodian 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 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent of their gross salaries. The District contributed an amount equal to 13.85 percent and 13.7 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by Ohio Public Employees Retirement System have an option to choose Social Security. As of December 31, 2007, the fire chief, assistant fire chief, and forty-one supporting members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**7. RISK MANAGEMENT**

The Southeast Hardin Northwest Union Joint Fire District has obtained commercial insurance for the following risks:

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

**8. SUBSEQUENT EVENT**

On May 8, 2008, the District borrowed the remaining \$79,580 on a \$350,000 loan obtained during 2007 to finance the purchase of fire apparatus and equipment.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 21, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

### **Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-003 is also a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated August 21, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 21, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 21, 2008

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Significant Deficiency**

**Authorized Signatories**

Authorized signatories on file with financial institutions should be updated in a timely manner when there are changes made to the District's Board and personnel who have access to bank balances. During 2007 and 2006, an individual no longer employed by the District was the only signatory listed on certificates of deposit belonging to the District. The three certificates of deposit, totaling \$30,000, were fifteen and sixteen percent, respectively, of the District's December 31, 2007 and 2006 combined fund cash balances.

The failure to establish controls limiting the access to bank balances to those individuals currently serving on the District's Board or employed by the District increases the risk of cash being misappropriated.

To help reduce the likelihood of cash being misappropriated, the District should periodically verify that only appropriate signatories are listed on all bank and investment accounts. In addition, when changes are made to the District's Board or other personnel listed as authorized signatories, the District should immediately update the list of authorized signatories with their financial institutions.

**OFFICIALS' RESPONSE:**

The Clerk will change this as soon as possible.

**FINDING NUMBER 2007-002**

**Significant Deficiency/Noncompliance Citation**

**Ohio Rev. Code Section 149.351(A)** states, in part, that all records are property of the public office concerned 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.

During 2007 and 2006, the District had expenditures in the amount of \$5,229 and \$5,031, respectively, which did not have detailed supporting documentation. Of the expenditures lacking original invoices, 46% in 2007 and 43% in 2006 were for fuel purchases on charge accounts; 31% in 2007 and 28% in 2006 were credit card purchases for items such as supplies, materials and travel expenses. While these expenditures lacked detailed supporting invoices, the purpose and vendor appeared reasonable for the District and the expenditures and checks had been approved by the Board. In addition, the District's Board performed an additional review and approved these expenditures at their meeting on September 8, 2008.

**FINDING NUMBER 2007-002  
(Continued)**

The failure to require and obtain original detailed supporting documentation for expenditures could result in the improper expenditure of money that is material to the financial statements. Expenditures that are not appropriate for the District could result in findings for recovery against those individuals approving the expenditures and signing the checks.

The District should not process and approve expenditures for payment, unless they are supported by the detailed original invoice. In addition the District should develop policies governing the use of District owned credit cards, fuel charge accounts and travel expenses. These policies should at a minimum identify authorized users, guidelines for allowable use/purchases, limitations on amount of reimbursement, types of supporting documentation required for reimbursement requests, specific unallowable uses, reporting, monitoring of use by appropriate levels of management and other guidelines the District deems appropriate.

**OFFICIALS' RESPONSE:**

This will be addressed at the next Board meeting and a change will be made. We will devise a policy concerning this matter.

**FINDING NUMBER 2007-003**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code Section 5705.09(C)** requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity. **Southeast Hardin Northwest Union Joint Fire District, Ohio \$235,000 Fire District Improvement Bonds, Series 2001, Part 3.30** states that amounts deposited from time to time in the Bond Fund, which is a Bona Fide Debt Service Fund, will be used to pay debt service on the issue within 13 months after the amounts are so deposited. The District failed to establish the required debt service fund.

The failure to establish the required debt service fund not only inhibited the users understanding of the financial statements but also resulted in material misstatement of the 2007 and 2006 financial statements. The accompanying financial statements have been adjusted to reflect a portion of the 2000 tax levy, which was passed to fund this bond issuance, along with the principal and interest payments on this bond issue, in the amount of \$36,752 in a separate Debt Service Fund.

The District should notify the county budget commission of the requirements to retire this bond debt, using a portion of the 2000 tax levy, in a 5705.09(C) debt service fund. The District should then record the tax levy proceeds as allocated by the county budget commission, along with the bond payments as they become due, in the Debt Service Fund.

**OFFICIALS' RESPONSE:**

We will set up the fund.

## FINDING NUMBER 2007-004

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or give any 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 such a commitment has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The subdivision 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 one line item appropriation.

During 2007 and 2006, the Clerk did not properly certify the availability of funds for 90% of the expenditures. Failure to properly certify the availability of funds may result in the District incurring obligations in excess of appropriations and possibly available resources.

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, District's Clerk should certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

### OFFICIALS' RESPONSE:

We will be implementing use of the then & now certificates.

**SOUTHEAST HARDIN NORTHWEST UNION JOINT FIRE DISTRICT  
HARDIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2005-001	Ohio Rev. Code Section 5705.10 - The District recorded various receipts and expenditures in the wrong fund	Yes	
2005-002	Ohio Rev. Code Section 5705.41(D) - The District did not certify the availability of funds prior to the obligation to the District	No	Repeated as Finding 2007-004
2005-003	The District's Board did not receive or review budget versus actual reports	No	Reported in a separate letter to management of the District.



**Mary Taylor, CPA**  
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  
OCTOBER 9, 2008**