



**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

**BIG WALNUT JOINT FIRE DISTRICT
MORROW COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Big Walnut Joint Fire District
Morrow County
P.O. Box 217
Marengo, Ohio 43334

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Big Walnut Joint Fire District, Morrow County, Ohio (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, 2010 and 2009, 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

1. We tested the mathematical accuracy of the December 31, 2010 and 2009 bank reconciliations. We noted a \$30 footing error on the December 31, 2010 bank reconciliation. The Fiscal Officer should ensure that the monthly reconciliations are mathematically accurate. We found no other exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Receipts Journal to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Check Register and in the Receipts Journal. Due to the footing error noted above, we noted the balance on the December 31, 2010 bank reconciliation was \$30 higher than the balance on the Check Register.
4. We confirmed the December 31, 2010 bank account balances with the District's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2010 bank reconciliation without exception.

Cash (Continued)

5. We selected five outstanding checks haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each check to the debit appearing in the subsequent January and February bank statements. We noted that three of the five outstanding checks selected did not clear the bank as of February 28, 2011 and therefore were still outstanding as of February 28, 2011. We found no other exceptions.
 - b. We traced the amounts and date written to the check register, to determine the checks were dated prior to December 31. 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) for 2010 and one from 2009.
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipts Journal. We found the 2010 and 2009 property tax receipt selected was recorded at net rather than at gross. The Fiscal Officer should record property tax receipts at gross and also the related fees as disbursements.
 - 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 Receipts Journal to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receiptsWe noted the Receipts Journal included the proper number of tax settlement receipts for 2010. We also noted the Receipts Journal included two real estate and one personal property tax settlement receipts in 2009. We scanned the County Vendor History from 2009 and noted that the County only sent one personal property tax settlement receipt to the District in 2009.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2010 and 2009.
 - a. We compared the amount from the DTL to the amount recorded in the Receipts Journal. 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.
4. We confirmed the amounts paid from the Chester Township and Harmony Township to the District during 2010 and 2009 with the Townships. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit report, we noted the following bonds, notes and loans outstanding as of December 31, 2008. These amounts agreed to the amortization schedule except for the 2002 Fire Station Construction Note. The balance as of 1/1/09 on the amortization schedule is \$32,322.14, not \$32,427, as is shown on the prior audit report.

Issue	Principal outstanding as of December 31, 2008:
2001 Fire Station Construction Note	417,743
2002 Fire Station Construction Note	32,427

2. We inquired of management, and scanned the Receipts Journal and Cash Journal for evidence of bonded or note debt issued during 2010 or 2009 or outstanding as of December 31, 2010 or 2009. We noted no new debt issuances during 2010 or 2009. All previously issued debt noted agreed to the summaries we used in step 3.
3. We obtained summaries of note debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to General Fund payments reported in the Cash Journal. We also compared the date the debt service payments were due to the date the District made the payments. We noted that the District paid an additional \$100 in 2009 and an additional \$5,000 in 2010.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Cash Journal and determined whether the following information in the minute record was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Retirement system participation and payroll withholding.
 - d. Federal, State & Local income tax withholding authorization and withholding.
 - e. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to the steps above, except the District did not withhold Federal or state taxes for any employees/volunteers and only withheld for a retirement system for one employee. In accordance with 26 U.S.C Section 3121(d)(2) Internal Revenue Service (IRS) Publication 963, Chap 4, explains that any individual will have the status of an employee if her or she meets the usual common-law rules applicable in determining the employer-employee relationship. The common-law rule for determining whether a worker is an employee is whether the service recipient (i.e., the government entity) has the right to direct and control the worker as to the manner and means of the worker's job performance. In other words, does the entity have the right to tell the worker not only what shall be done but how it shall be done? In addition, IRS Publication 963 Chapter 4 states, when a worker who is termed a *volunteer* receives compensation, and there is an employer/employee relationship, that compensation is wages subject to FICA tax (unless an exclusion applies).

Payroll Cash Disbursements (Continued)

The Fire Chief, Fiscal Officer and all volunteer firefighters meet the definition of an employee; however the District is not withholding or contributing to any taxes or retirement system for these individuals.

We recommend the District re-evaluate the employee status as defined by the IRS and withhold taxes and contribute to the appropriate retirement systems for their Fire Chief, Firefighters, and any other "volunteer" they have employed.

2. We tested the checks we selected in step 1, as follows:
 - a. We compared the hours and pay rate, or salary amount used in computing gross pay 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 register. We noted that one employee's pay was calculated incorrectly and he received \$14 less than what he should have received.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether remittances were timely paid, and that the amounts paid agreed to the amounts withheld during the final withholding period during 2010. We noted the following:

Withholding	Date Due	Date Paid	Amount Withheld	Amount Paid
Federal income taxes	January 31, 2011			
State income taxes	January 15, 2011			
OPERS retirement (withholding plus employee share)	January 30, 2011	January 7, 2011	\$50	\$120 (\$50 employee, \$70 employer)

As noted above in Step 1, as of the date of this report, the District has not withheld or paid Federal or state income taxes as required by IRS Publication 963, Chapter 4.

Non-Payroll Cash Disbursements

1. For the Cash Journal, we refooted checks recorded as General Fund disbursements for *materials and supplies*, for 2010. We found no exceptions.

2. We agreed total disbursements (non-payroll and payroll) from the Cash Journal for the years ended December 31, 2010 and 2009 to the total disbursements recorded in the Check Register. For 2010, we found total disbursements recorded in the Check Register were \$147 greater than total disbursements recorded in the Cash Journal. For 2009, we found total disbursements recorded in the Check Register were \$45 less than total disbursements recorded in the Cash Journal. The errors appear to be due to the manual entries into the Cash Journal; as noted above in the Cash testing the bank reconciliation tied to check register. The Fiscal Officer should reconcile the Cash Journal to the Check Register to ensure that disbursements are recorded accurately on the Cash Journal.

Non-Payroll Cash Disbursements (Continued)

3. We haphazardly selected ten disbursements from the Cash Journal for the year ended December 31, 2010 and ten from the year ended 2009 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 Cash Journal and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. 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 20 instances where the certification date was after the vendor invoice date.

Compliance – Budgetary

1. We compared the total 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 Receipts Journal for the years ended December 31, 2010 and 2009. The amounts on the *Certificate* were not recorded in the accounting system for either 2010 or 2009. The Fiscal Officer should promptly record the amounts on the Certificate to the District's accounting system. Furthermore, the Fiscal Officer should provide budget versus actual reports to the Board for review. The Board should review these reports regularly in order to detect and follow up on possible unusual balances or transactions in a timely manner.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether 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.
3. We compared total appropriations required by Ohio Rev. Code Section 5705.38 and 5705.40, to the amounts recorded in the Cash Journal for 2010 and 2009. The amounts on the appropriation resolutions were not recorded in the Cash Journal for either 2010 or 2009. The Fiscal Officer should promptly record the amounts on the appropriation resolutions to the District's accounting system. Furthermore, the Fiscal Officer should provide budget versus actual reports to the Board for review. The Board should review these reports regularly in order to detect and follow up on possible unusual balances or transactions in a timely manner.
4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the years ended December 31, 2010 and 2009. We noted appropriations did not exceed certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2010 and 2009 as recorded in the Cash Journal. We noted expenditures did not exceed appropriations.
6. We inquired of management and scanned the Cash Journals 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.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Cash Journal for the years ended December 31, 2010 and 2009 for procurements requiring competitive bidding under the following statute(s):

Ohio Rev. Code Sections 505.37 to 505.42 & 731.14 require a fire district to competitively bid purchases of fire apparatus, mechanical resuscitators, other fire equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or service costs exceeding \$25,000.

We identified a purchase of fire apparatus in 2009 exceeding \$25,000, subject to Ohio Rev. Code Section 505.42. The Board did not competitively bid this purchase.

Ohio Rev. Code § 505.42 states that joint fire districts may enter into contracts for the purpose set forth in sections 505.37 to 505.42 of the Revised Code, subject to sections 731.14 to 731.16 of the Revised Code. Ohio Rev. Code § 731.14 further states that when any expenditure of money exceeds \$25,000, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation. The District should competitively bid purchases of equipment or services exceeding \$25,000.

Officials' Response

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

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 and those charged with governance and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

June 23, 2011



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BIG WALNUT JOINT FIRE DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2011**