



**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2014-2013**



**Dave Yost • Auditor of State**



**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2014 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) -- All Governmental Fund Types - For the Year Ended December 31, 2013 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Big Walnut Joint Fire District, Morrow County, (the District) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Big Walnut Joint Fire District, Morrow County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 3, 2016

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>All Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 169,997	\$ -	\$ 169,997
Charges for Services	118,659	-	118,659
Intergovernmental	25,545	19,800	45,345
Earnings on Investments	808	-	808
Miscellaneous	7,377	-	7,377
<i>Total Cash Receipts</i>	<u>322,386</u>	<u>19,800</u>	<u>342,186</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
Security of Persons and Property:			
Salaries	45,205	-	45,205
Fringe Benefits	5,335	-	5,335
Materials and Supplies	30,445	-	30,445
Equipment	4,593	19,800	24,393
Utilities	43,719	-	43,719
Insurance	24,795	-	24,795
Repairs	20,070	-	20,070
Other	27,911	-	27,911
Debt Service:			
Principal Retirement	66,087	-	66,087
Interest and Fiscal Charges	3,784	-	3,784
<i>Total Cash Disbursements</i>	<u>271,944</u>	<u>19,800</u>	<u>291,744</u>
<i>Excess Receipts Over Disbursements</i>	50,442	-	50,442
<i>Fund Cash Balances, January 1</i>	<u>308,539</u>	-	<u>308,539</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned	<u>358,981</u>	-	<u>358,981</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 358,981</u>	<u>\$ -</u>	<u>\$ 358,981</u>

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

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>All Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 166,883	\$ -	\$ 166,883
Charges for Services	133,654	-	133,654
Intergovernmental	24,975	70,524	95,499
Earnings on Investments	556	-	556
Miscellaneous	11,113	-	11,113
<i>Total Cash Receipts</i>	<u>337,181</u>	<u>70,524</u>	<u>407,705</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
Security of Persons and Property:			
Salaries	45,151	-	45,151
Fringe Benefits	6,339	-	6,339
Materials and Supplies	10,219	-	10,219
Equipment	38,657	70,524	109,181
Utilities	23,917	-	23,917
Insurance	10,197	-	10,197
Repairs	27,775	-	27,775
Other	19,331	-	19,331
Debt Service:			
Principal Retirement	65,558	-	65,558
Interest and Fiscal Charges	4,355	-	4,355
<i>Total Cash Disbursements</i>	<u>251,499</u>	<u>70,524</u>	<u>322,023</u>
<i>Excess Receipts Over Disbursements</i>	85,682	-	85,682
<i>Fund Cash Balances, January 1</i>	<u>222,857</u>	<u>-</u>	<u>222,857</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	167,580	-	167,580
Unassigned	140,959	-	140,959
<i>Fund Cash Balances, December 31</i>	<u>\$ 308,539</u>	<u>\$ -</u>	<u>\$ 308,539</u>

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



**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Big Walnut Joint Fire District, Morrow County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Bennington Township and Village of Marengo. In addition, representatives are appointed from Chester Township, Village of Chesterville, and Harmony Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The District's accounting basis includes deposits as assets

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Capital Projects Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project fund:

FEMA Grant – This fund receives money received through a Federal Emergency Management Agency (FEMA) Grant. Funds are used to purchase items in accordance with the grant agreement.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual 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 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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 Deposits**

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$358,981	\$308,539

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$292,200	\$322,386	\$30,186
Capital Projects	19,800	19,800	0
Total	<u>\$312,000</u>	<u>\$342,186</u>	<u>\$30,186</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$456,780	\$271,944	\$184,836
Capital Projects	19,800	19,800	0
Total	<u>\$476,580</u>	<u>\$291,744</u>	<u>\$184,836</u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$293,500	\$337,181	\$43,681
Capital Projects	0	70,524	70,524
Total	<u>\$293,500</u>	<u>\$407,705</u>	<u>\$114,205</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$404,930	\$251,499	\$153,431
Capital Projects	70,524	70,524	0
Total	<u>\$475,454</u>	<u>\$322,023</u>	<u>\$153,431</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. 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.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. Property Tax (Continued)**

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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 Fire Station Construction Note	\$69,736	3.25%
2002 Fire Station Construction Note	11,007	3.25%
Total	<u>\$80,743</u>	

In January 2001, the District issued a general obligation note to finance the construction of a new fire station. The note was issued in the amount of \$750,000 with a term of fifteen years. Payments will be made in 180 monthly installments. The District then issued a general obligation note to finance the completion of the construction of the new fire station. The second note was issued on December 4, 2003, in the amount of \$50,000 with a term of fifteen years. The notes are collateralized by the District's taxing authority,

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

Year ending December 31:	<u>2001 Fire Station Construction Note</u>	<u>2002 Fire Station Construction Note</u>
2015	\$65,599	\$4,273
2016	5,466	4,273
2017	0	2,965
Total	<u>\$71,065</u>	<u>\$11,511</u>

**6. Retirement Systems**

The District's Fiscal Officer belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

All other employees belong to Social Security. The District's liability is 6.2 percent of wages paid. As of December 31, 2014, the District has paid all required contributions.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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



# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Big Walnut Joint Fire District, Morrow County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 3, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 3, 2016



**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2014-001**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to help ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the District's financial statements and accounting records, where applicable, to properly reflect receipts and expenditures:

1. In 2014 and 2013, the District posted rollback receipts as property and other local taxes and grant receipts from the Ohio Department of Commerce as grants. These should have been posted as intergovernmental receipts. In 2014, property and other local taxes was decreased by \$22,315, grants was decreased by \$3,230, and intergovernmental was increased by \$25,545. In 2013, property and other local taxes was decreased by \$21,745, grants was decreased by \$3,230, and intergovernmental was increased by \$24,975.
2. In 2014 and 2013, the District received grant receipts from an entity other than a government and posted these as grants. Reclassifications were made to properly post \$2,000 and \$5,795, respectively, to miscellaneous.
3. In 2014 and 2013, the District recorded FEMA grant activity in the General Fund instead of in a Capital Projects Fund. The following adjustments were made to properly present this activity:
  - In 2014, intergovernmental and equipment were decreased by \$19,800 in the General Fund and intergovernmental and equipment were increased by \$19,800 in the Capital Projects Fund.
  - In 2013, General Fund intergovernmental was decreased and Capital Projects Fund intergovernmental was increased by \$69,774.
  - In 2013, a FEMA receipt was not posted to the accounting system. Intergovernmental receipts in the Capital Projects Fund were increased by \$750.
  - In 2013, General Fund equipment was decreased and Capital Projects Fund equipment was increased by \$70,524.
4. In 2013, the District posted the 2013 2<sup>nd</sup> half real estate settlement incorrectly to the system. An adjustment was made to decrease property and other local taxes by \$300 in the General Fund.
5. Additionally, reclassifications were made to apply Governmental Accounting Standards Board Statement 54, an accounting standard that enhances the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied. In 2013, the District misclassified the General Fund balance of \$167,500 as unassigned instead of assigned to account for subsequent appropriations exceeding estimated receipts.

In addition, the following audit adjustments and reclassifications were identified during the audit but were not adjusted on the financial statements:

1. In 2013, a reclassification of \$1,569 in the General Fund was identified to increase debt principal and decrease debt interest to properly present debt payments.
2. In 2014 and 2013, the District failed to post property tax receipts at gross. Adjustments were identified to increase property and other local taxes and other expense in the General Fund by \$4,478 and \$5,147, respectively.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2014-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

3. Reclassifications were identified to properly post the expenditures according to the PayChex reports. In 2014, salaries and wages was decreased and fringe benefits was increased by \$4,750. In 2013, salaries and wages was decreased by \$5,071, fringe benefits was increased by \$4,710 and other was increased by \$361.

By not properly classifying transactions and fund balances, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The audit adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Board should review the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2014-002**

**Prior Certification of Expenditures – Material Non-Compliance**

**Ohio Rev. Code §5705.41(D)** 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.

1. "Then and Now" certificates - 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 resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the District.

**BIG WALNUT JOINT FIRE DISTRICT  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2014-002 (Continued)**

**Prior Certification of Expenditures – Material Non-Compliance (Continued)**

2. Blanket certificates - 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. 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 operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to the purchase commitment for any expenditures tested in 2013 or 2014.

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 the Fiscal Officer 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.

**Officials’ Response:**

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

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**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  
MAY 24, 2016**