



OHIO AUDITOR OF STATE
KEITH FABER





One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Southwest Mercer Fire District
Mercer County
111 South Main Street
P.O. Box 528
Fort Recovery, Ohio 45846

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of the Southwest Mercer Fire District (the District) on the receipts, disbursements and balances recorded in the District's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the District. The District is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the District. 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 recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Register Report to the December 31, 2016 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Register Report to the December 31, 2017 balances in the Register Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Register Reports. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balances with the District's financial institutions. We found no exceptions.
5. We selected all reconciling debits (such as outstanding checks) from the December 31, 2018 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 Register Report, to determine the debits were dated prior to December 31. There were no exceptions.

6. We inspected investments held at December 31, 2018 and December 31, 2017 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. There were no exceptions.
7. We inspected the 2017 HINKLE Filing to determine whether the Finding For Adjustment identified in the prior audit report, due from the General fund, payable to the Debt Service fund, was properly posted to the report. We found 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 2018 and one from 2017:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Register Report. The amounts agreed.
 - b. We inspected the Register Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We noted that in 2018 a portion of the tax receipts were allocated to a Capital Projects fund. This allocation was not supported by a levy approved under 5705.06. The District should allocate funds by Board approved transfer.
 - c. We inspected Register Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Register Report to determine whether it included two real estate tax receipts for 2018 and 2017. The Register Report included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2018 and 2017. We also selected all receipts from the Mercer County Auditor's Audit Trail by Vendor Report from 2018 and all from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Register Report. The amounts agreed.
 - b. We inspected the Register Report to determine that these receipts were allocated to the proper funds. We noted that in 2018 a portion of the tax receipts were allocated to a Capital Projects fund. This allocation was not supported by a levy approved under 5705.06. The District should allocate funds by Board approved transfer.
 - c. We inspected the Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Other Over-The-Counter Cash Receipts

We selected a sample (agreed upon) of 10 over-the-counter cash receipts from the year ended 2017 recorded on the deposit tickets and:

- a. Agreed the receipt amount to the amount recorded in the Register Report. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. No approved rates were available for accident response receipts tested. We recommend the Board approve accident response rates.
- c. Inspected the Register Report to determine the receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit documentation, we observed the following general obligation notes were outstanding as of December 31, 2016. These amounts agreed to the District's January 1, 2017 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2016:
General Obligation Notes	\$291,000

2. We inquired of management, and inspected the Register Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of general obligation notes debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedule to debt service fund payments reported in the Register Report. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We selected one payroll check for all employees from 2018 and one payroll check for all employees from 2017 from the Payroll Report and:
 - a. We compared the salary recorded in the Payroll Report to supporting documentation (legislatively-approved salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the Payroll Report. We found no exceptions.
 - c. We inspected the Payroll Report to determine the fund and account code to which the check was posted were reasonable based on the employees' duties as documented in the minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm 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 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2019	January 16, 2019	\$934.71	\$934.71
Local income tax	January 15, 2019	December 27, 2018	\$24.15	\$24.15
OPERS retirement	January 30, 2019	December 27, 2018	\$193.20	\$193.20

Non-Payroll Cash Disbursements

1. We selected a sample (agreed upon) of 10 disbursements from the Register Report for the year ended December 31, 2018 and 10 from the year ended 2017 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 Register Report and to the names and amounts on the supporting invoices. For online payments the, date, payee name and amount recorded on the bank statement agreed to the date, payee name and amount recorded in the Register 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 no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources* required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Budget vs Actual information for the General, Debt Service and Capital Projects funds for the years ended December 31, 2018 and General and Debt Service funds for 2017. The District does not have systems derived budget vs actual reports. The District should implement a system derived reporting system for budget vs actual information.
2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General, Debt Service and Capital Project 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 noted that the Debt Service Fund was not properly included in the 2017 appropriation measure. The District should monitor the appropriation measures to ensure that all funds are properly included.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Budget vs Actual information for 2018 and 2017 for the following funds: General, Debt Service and Capital Projects funds. The District does not have systems derived budget vs actual reports. The District should implement a system derived reporting system for budget vs actual information.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, and Debt Service funds for the years ended December 31, 2018 and 2017. There were no funds for which appropriations exceeded 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, 2018 and 2017 for the General and Debt Service funds, as recorded in the Appropriation Resolution. The General Fund expenditures for 2017 exceeded total appropriations by \$57,056 and the Debt Service Fund expenditures for 2017 exceeded total appropriations by \$86,775, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.

6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the District received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the District to establish a new fund. We observed that the Trustees established the Capital Projects fund during 2018, and allocated \$100,000 in General Fund property tax receipts into it. However, Ohio Rev. Code Section 5705.13 requires a resolution or ordinance to establish such fund. The District does not have a resolution or ordinance to establish this fund. We therefore requested management to adjust this fund's remaining cash balance back to the General Fund. The fiscal officer adjusted this amount on August 27, 2019.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the 2018 and 2017 Register Reports and Income Expense by Category Reports for evidence of interfund transfers exceeding \$5,000 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 (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Register Reports to determine whether the District elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. The District did not establish these reserves.
10. We inspected the Register Report for the years ended December 31, 2018 and 2017 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires Districts to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. The District did not file their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. The financial reports for 2018 and 2017 did not include the notes to the financial statements as required. The 2018 report was refiled July 1, 2019 and the 2017 report was refiled June 27, 2019.
2. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list(s) of authorized users, and
 - a list of all credit card account transactions.

- a. We inspected the established policy obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.

We found that the District has not updated their credit card policy for compliance with HB 312 statutory requirements. The District should review HB312 and amend their policy accordingly.

- b. We selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. The use was by an authorized user within the guidelines established in the policy, and
 - ii. Each transaction was supported with original invoices and for a proper public purpose.

We found no exceptions.

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

This report is to provide assistance in the evaluation of the District's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2019

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST MERCER FIRE DISTRICT

MERCER 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 15, 2019**