



**FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY**

AGREED-UPON PROCEDURE

FOR THE YEARS ENDED DECEMBER 31, 2011-2010



Dave Yost • Auditor of State

FREDERICKTOWN COMMUNITY FIRE DISTRICT
KNOX COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Fredericktown Community Fire District
Knox County
133 Columbus Road
Fredericktown, Ohio 43019

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Fredericktown Community Fire District, Knox 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, 2011 and 2010, 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, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the General Ledger Report to the December 31, 2009 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, 2011 and 2010 fund cash balances reported in the General Ledger Report. The amounts agreed.
4. We confirmed the December 31, 2011 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, 2011 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2010 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.

Property Taxes and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011 and one from 2010.
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Profit & Loss Detail Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund 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 Profit & Loss Detail Report to determine whether it included two real estate tax receipts for 2011 and 2010. We noted the Profit & Loss Detail Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2011 and four from 2010. We also selected five receipts from the County Auditor's Detail Expense Transactions Report from 2011 and five from 2010.
 - a. We compared the amount from the above reports to the amount recorded in the Profit & Loss Detail Report. It was noted that one General Revenue payment on the 2011 State Distribution Transaction List totaling \$133 was not recorded in the Profit & Loss Detail Report and not received by the District. We recommend the District contact the State Tax Commissioner and obtain a reissued check.
 - b. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2009.
2. We inquired of management, and scanned the Profit & Loss Detail Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. We noted no new debt issuances, nor any debt payment activity during 2011 or 2010.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 from the Employee Journal by Check Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Employee Journal by Check Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the account code to which the check was posted was reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.

Payroll Cash Disbursements (Continued)

2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files 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. Department to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to the steps above.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2011. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2012	December 31, 2011	\$ 2,197	\$ 2,197
State income taxes	January 15, 2012	December 31, 2011	164	164
Village of Fredericktown local income tax	January 31, 2012	December 31, 2011	133	133
OPERS retirement	January 31, 2012	January 31, 2012	446	446

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Profit & Loss Detail Report for the year ended December 31, 2011 and ten from the year ended 2010 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 Profit & Loss Detail Report and to the names and amounts on the supporting invoices. We found one instance where the District did not maintain the supporting invoices for a payment of \$247.62 made for phone and internet services. Ohio Rev. Code Section 149.351 requires that all records that are the property of the public office 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 Ohio Rev. Code Sections 149.38 through 149.42. We recommend the District maintain all documentation to support expenditures.
 - 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 no exceptions.

Non-Payroll Cash Disbursements (Continued)

2. We scanned the profit and loss detail report for 2011 and 2010 and noted eight instances where the District conducted business with two companies that the Fire Chief owned or worked for.

Ohio Rev. Code Section 2921.42(A)(1) provides that no public official shall knowingly authorize, or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest. Ohio Rev. Code Section 2921.42(A)(4) provides that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected. Ohio Rev. Code Section 102.03(D) provides that no public officials or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. The Ohio Ethics Commission held in Adv. Pp. No. 94-002 that a public official who has an ownership interest in a business has a pecuniary interest in the contracts of that business for purposes of Ohio Rev. Code Section 2921.42.

District Fire Chief, Scott Mast is the owner of Mast Fire & Safety Resources. In 2011, the District contracted with Mast Fire & Safety for fire extinguisher servicing and parts in the amount of \$708.50. In 2010, the District contracted with Mast Fire & Safety Resources for fire extinguisher servicing in the amount of \$458.

Mr. Mast was the owner of Mast Electric until March 2011, when he sold the company. From March 2011 to March 2012, he was employed by Mast Electric. In 2011, the District contracted with Mast Electric for electrical work in the amount of \$1,233.

We recommend that the District not conduct business with employees or elected officials who may have a financial interest.

A referral will be sent to the Ohio Ethics Commission regarding this matter.

Compliance – Budgetary

1. We attempted to compare the total estimated receipts from the amounts on 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 Profit & Loss Detail Report; however, the District did not record budgeted (i.e. certified) resources for 2011 or 2010 in their accounting system. Ohio Admin. Code 117-2-02(C)(1) states in part that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. The Clerk should record budget resources and periodically compare amounts recorded in the Profit & Loss Detail Report to amounts recorded on the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances* to assure they agree. If the amounts do not agree, the Board may be using inaccurate information for budgeting and monitoring purposes. We recommend that the District record the budgeted amounts in the Profit & Loss Detail Report and compare the amounts to the *Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, and use this as a tool to monitor estimated receipts versus actual receipts throughout the year.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2011 and 2010 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 Sections 5705.38 and 5705.40, to the amounts recorded in the District Budget Report for 2011 and 2010. The amounts on the appropriation resolutions agreed to the amounts recorded in the District Budget Report.
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 years ended December 31, 2011 and 2010. We noted appropriations did not 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, 2011 and 2010 as recorded in the District Budget Report. We noted expenditures did not exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Profit and Loss Detail Report for evidence of new restricted receipts requiring a new fund during December 31, 2011 and 2010. We also inquired of management regarding whether the District received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the District to establish a new fund.
7. We inquired of management and scanned the Profit and Loss Detail Report 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

1. We inquired of management and scanned the Profit & Loss Detail Report for the years ended December 31, 2011 and 2010 for procurements requiring competitive bidding under the following statutes:

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 \$50,000.

We identified no purchases subject to the aforementioned bidding requirements.

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.

Fredericktown Community Fire District
Knox County
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This report is intended solely for the information and use of management, those charged with governance, and others within the District, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 4, 2012



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FREDERICKTOWN COMMUNITY FIRE DISTRICT

KNOX 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 16, 2012**