



**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

AGREED-UPON PROCEDURES

FOR THE YEARS ENDED DECEMBER 31, 2012-2011



Dave Yost • Auditor of State

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Perry Congress Joint Fire District
Morrow County
P.O. Box 85
Shauck, Ohio 43349

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Perry Congress 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, 2012 and 2011, 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, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Cash Journal to the December 31, 2010 balances in the documentation in the prior year agreed-upon working papers. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Cash Journal to the December 31, 2011 balances in the Cash Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Cash Journal. We noted the December 31, 2012 and 2011 bank reconciliations did not include the District's savings account in the amounts of \$267,102 and \$234,573, respectively. The District should account for all bank accounts on the monthly reconciliations in order to properly reconcile their account records to the bank.
4. We confirmed the December 31, 2012 bank account balance with the District's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.

Cash (Continued)

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 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 2012 and 2011 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2012 and one from 2011.
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Journal. 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 Receipt Journal to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Receipt Journal included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2012 and all from 2011. We also selected five receipts from the County Auditor's DTLs from 2012 and five from 2011.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Journal. The amounts agreed.
 - 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 agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2010.
2. We inquired of management and scanned the Receipt Journal and Cash Journal for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. We noted that the Fire District started making payments on a bond in December of 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedule(s) to payments reported in the General Fund Cash Journal. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.

Debt (Continued)

4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Receipt Journal. We noted that the Fire District did not record a receipt or expenditure upon the issuance of a bond in November of 2011. We recommend the Fire District record all bond proceeds and related expenditures in a bond fund (i.e. capital projects fund) as required by Ohio Rev. Code Section 5705.09(E).
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the District must use the proceeds to purchase air packs and related equipment. We scanned the Appropriation Ledger and noted the District purchased air packs and equipment in November of 2011.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Cash Journal and:
 - a. We compared the hours and pay rate, or salary recorded in the Cash Journal 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 found no exceptions.
 - c. We determined whether the account codes to which the check was posted were 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.

We found no exceptions related to the steps above, except the District did not withhold any taxes or retirement from the paychecks. 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 he 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 addition, IRS Publication 963, Chap. 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). The Clerk, Fire Chief and Volunteer Firefighters meet the definition of an employee; however, the District accounts for these individuals as contractors. As a result 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.

Because we did not test all payroll cash disbursements, our report provides no assurances whether or not additional similar errors occurred.

2. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 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 2012. We noted that the District did not withhold any taxes or retirement during the audit period. This is due to the fact that the Fire District uses the 1099 form, moving the tax obligation on to the employee. Therefore, no taxes or retirement are withheld.

Non-Payroll Cash Disbursements

1. From the Appropriation Ledger, we re-footed checks recorded as General Fund disbursements for *Utilities* for 2012. We found no exceptions.
2. We haphazardly selected ten disbursements from the Appropriation Ledger for the year ended December 31, 2012 and ten from the year ended 2011 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 Appropriation Ledger and to the names and amounts on the supporting invoices. Per review of the canceled checks and bank statements, we noted that check # 6457, in 2012, was voided, and another check (# 6459) was issued to the same vendor for the same amount. However, the Fire District posted the voided check number for the disbursement in the Appropriation Ledger and Cash Journal instead of the reissued check number found on the canceled check and bank statement. We recommend that the Fiscal Officer periodically review the ledgers to ensure that the check numbers posted match the numbers found on canceled checks and bank statements, especially when checks are voided.
 - 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 three instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

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 Receipts Journal for the years ended December 31, 2012 and 2011. The amounts on the *Certificate* agreed to the amount recorded in the Receipt Journal in 2011, but did not agree in 2012. The Receipt Journal recorded budgeted (i.e. certified) resources of \$154,000 for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$155,000. The Fiscal Officer should periodically compare amounts recorded in the Receipt Ledgers to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Board may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2012 and 2011 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 Appropriation Ledgers for 2012 and 2011. The amounts on the Appropriation Resolutions did not agree to the amounts recorded in the Appropriation Ledgers in 2011. The amount on the Appropriation Resolution represented \$383,893.79 while the total amount found in the Appropriation Ledger was \$316,893.79. The Fiscal Officer should periodically compare amounts recorded in the Appropriation Ledger to amounts recorded on the total appropriations to assure they agree. If the amounts do not agree, the Board may be using inaccurate information for budgeting and monitoring purposes.

Compliance – Budgetary (Continued)

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, 2012 and 2011. We noted 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, 2012 and 2011 as recorded in the Appropriation Ledgers. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Journals for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. 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 scanned the 2012 and 2011 Receipt Journals and Appropriation Ledgers for evidence of interfund transfers exceeding \$1,000 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 and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Ledgers 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.

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, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2013

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PERRY CONGRESS 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
OCTOBER 10, 2013**