



Dave Yost • Auditor of State



**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

BPM Joint Fire District  
Fayette County  
75 Main Street  
P.O. Box 1  
Bloomington, Ohio 43106

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 BPM Joint Fire District, Fayette County, (the District) as of and for the years ended December 31, 2015 and 2014.

### ***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, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

District fire service billings are reported at \$2,296, and \$1,494 for the years ended December 31, 2015 and 2014, respectively, which are 100 percent of Special Revenue receipts for the year ended December 31, 2015, and 100 percent of Special Revenue receipts for the year ended December 31, 2014. The District outsourced fire and rescue billing activity to a third party administrator. The financial statements report these billing receipts in the cost recovery fund (a Special Revenue Fund). The third party administrator did not provide us with information we requested regarding the design or proper operation of its internal controls for 2015 and 2014. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of BPM Joint Fire District, Fayette County, as of December 31, 2015 and 2014, 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 September 1, 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.

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

Columbus, Ohio

September 1, 2016

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**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Local Taxes	\$ 97,437	\$ -	\$ -	\$ 97,437
Intergovernmental	7,609	-	-	7,609
Charges for Services	-	2,296	-	2,296
Contracts	22,136	-	-	22,136
Interest	19	-	-	19
Miscellaneous	2,333	-	-	2,333
<i>Total Cash Receipts</i>	<u>129,534</u>	<u>2,296</u>	<u>-</u>	<u>131,830</u>
<b>Cash Disbursements:</b>				
Current Disbursements:				
Security of Persons and Property:	59,380	-	-	59,380
Capital Outlay	13,432	-	177,491	190,923
Debt Service:				
Principal Retirement	32,090	-	-	32,090
Interest and Fiscal Charges	13,146	-	-	13,146
<i>Total Cash Disbursements</i>	<u>118,048</u>	<u>-</u>	<u>177,491</u>	<u>295,539</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>11,486</u>	<u>2,296</u>	<u>(177,491)</u>	<u>(163,709)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Proceeds of Debt	-	-	177,491	177,491
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>177,491</u>	<u>177,491</u>
<i>Net Change in Fund Cash Balance</i>			0	13,782
<i>Fund Cash Balances, January 1</i>	<u>174,255</u>	<u>1,494</u>	<u>-</u>	<u>175,749</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	3,790	-	3,790
Unassigned (Deficit)	185,741	-	-	185,741
<i>Fund Cash Balances, December 31</i>	<u>\$ 185,741</u>	<u>\$3,790</u>	<u>\$0</u>	<u>\$189,531</u>

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

**BPM JOINT FIRE DISTRICT  
FAYETTE 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**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Local Taxes	\$ 99,659	\$ -	\$ -	\$ 99,659
Intergovernmental	17,623	-	-	17,623
Charges for Services	-	1,494	-	1,494
Contracts	21,599	-	-	21,599
Interest	34	-	-	34
Miscellaneous	2,723	-	-	2,723
<i>Total Cash Receipts</i>	<u>141,638</u>	<u>1,494</u>	<u>-</u>	<u>143,132</u>
<b>Cash Disbursements:</b>				
Current Disbursements:				
Security of Persons and Property:	56,726	-	-	56,726
Capital Outlay	301,975	-	254,509	556,484
Debt Service:				
Interest and Fiscal Charges	635	-	-	635
<i>Total Cash Disbursements</i>	<u>359,336</u>	<u>-</u>	<u>254,509</u>	<u>613,845</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(217,698)</u>	<u>1,494</u>	<u>(254,509)</u>	<u>(470,713)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Proceeds of Debt	-	-	254,509	254,509
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>254,509</u>	<u>254,509</u>
<i>Net Change in Fund Cash Balance</i>				(216,204)
<i>Fund Cash Balances, January 1</i>	<u>391,953</u>	<u>-</u>	<u>0</u>	<u>391,953</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	1,494	-	1,494
Unassigned (Deficit)	174,255	-	-	174,255
<i>Fund Cash Balances, December 31</i>	<u>\$ 174,255</u>	<u>\$1,494</u>	<u>\$0</u>	<u>\$175,749</u>

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

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 BPM Joint Fire District, Fayette County, Ohio (the District), as a body corporate and politic. A three member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Bloomingburg, Paint Township, Marion Township, and Madison Township. Madison Township has elected not to have a representative on the Board. 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District 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 Auditor of State prescribes or permits.

**C. Deposits and Investments**

The District funds are deposited in a checking account with a local commercial bank. All interest earned is credited to the General Fund with no restrictions.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments 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. Special Revenue Fund**

This fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

Cost Recovery Fund – This fund reports all financials resources received from the Cost Recovery Corp for the billing from fire runs. This fund is used for supplies and equipment for fire runs.

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Fund**

This fund accounts 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:

Loan Proceeds Fund – This fund is used to account for all receipts and disbursements from the building loan for the construction of the new Fire House.

**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, function or 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 carried over, and need not be reappropriated.

A summary of 2015 and 2014 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.

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**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>2015</u>	<u>2014</u>
Demand deposits	\$189,531	\$175,749

Deposits are insured by the Federal Depository Insurance Corporation.

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 is as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,872	\$129,534	(\$1,338)
Special Revenue	1,200	2,296	1,096
Capital Projects	180,491	177,491	(3,000)
Total	<u>\$312,563</u>	<u>\$309,321</u>	<u>(\$3,242)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$306,250	\$118,048	\$188,202
Special Revenue	1,570	0	1,570
Capital Projects	180,491	177,491	3,000
Total	<u>\$488,311</u>	<u>\$295,539</u>	<u>\$192,772</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,725	\$141,638	(\$2,087)
Special Revenue	2,000	1,494	(506)
Capital Projects	432,000	254,509	(177,491)
Total	<u>\$577,725</u>	<u>\$397,641</u>	<u>(\$180,084)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$535,678	\$359,336	\$176,342
Special Revenue	2,000	0	2,000
Capital Projects	432,000	254,509	177,491
Total	<u>\$969,678</u>	<u>\$613,845</u>	<u>\$355,833</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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$399,861	3.25%

The District signed a loan with Fifth Third Bank to finance the building of the new Fire House. The bank did not provide an amortization schedule for the loan.

**6. DEFINED BENEFIT PENSION PLAN**

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – the Fire District’s Fiscal Officer participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District’s Fiscal Officer) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the

COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	14.0	%
Employee	10.0	%
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
<b>Total Employer</b>	<b>14.0</b>	<b>%</b>
<b>Employee</b>	<b>10.0</b>	<b>%</b>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contribution was \$953 for year 2015.

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

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# 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

BPM Joint Fire District  
Fayette County  
75 Main Street  
P.O. Box 1  
Bloomington, Ohio 43106

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 BPM Joint Fire District, Fayette County, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 1, 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. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts.

### ***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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-003 to be material weaknesses.

### **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 2015-002.

### ***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

September 1, 2016

**BPM JOINT FIRE DISTRICT  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**MATERIAL WEAKNESS**

The BPM Joint Fire District (District) has outsourced its fire and rescue service billing and collection activity, which is a significant accounting function, to a third-party administrator. The fire and rescue revenue accounts for 100% of the receipts recorded in the special revenue fund. The District has not established procedures to reasonably determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that fire and rescue service billing and collection activity has been completely and accurately processed.

The third party administrator did not provide the District with the information regarding the design or proper operation of its internal controls for 2015 and 2014. We were unable to obtain sufficient audit evidence supporting completeness and accuracy the amounts recorded as charges for services in the cost recovery special revenue fund, as a result, we have modified our opinion.

We recommend the District obtain assurance of the completeness and accuracy of fire and rescue service billing and collection activity processed by its third-party administrator. Statement on Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the District with reasonable assurance that fire and rescue service billing and collection activity has been completely and accurately processed.

We recommend the District require a Type Two Service Organization Report (SOC) 1 report in its contract with the third-party administrator. The District should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with the Type Two SOC report, we recommend the District contract with a third party administrator that will provide this report. As an alternative to a SOC 1 Report, the District may monitor billings and collections its administrator processes.

The District can monitor these billings by obtaining reports of fire and rescue collections and comparing them to fire and rescue runs reports, and then re-determining:

- The collection agrees to a run
- The collection agrees to approved fee schedule

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2015-002**

**NONCOMPLIANCE CITATION**

**Ohio Rev. Code §505.375(C)(12)** authorizes the fire district to issue bonds and other evidences of indebtedness, subject to Chapter 133 of the Revised Code, but only after approval by a vote of the electors of the district as provided by section 133.18 of the Revised Code. All notes issues shall be pursuant to Ohio Rev. Code § 133.20. Furthermore, the Attorney General opined that Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract. [1996 Op. Atty. Gen. No. 96-048]. For example, townships (and fire districts) cannot take out a simple bank loan to purchase a truck for road purposes since “bank loans” are not a statutorily permitted form of debt for townships. However, townships (and fire districts) do have authority to issue securities under Ohio Rev. Code Chapter 133.

Pursuant to Ohio Rev. Code Chapter 133, Ohio Rev. Code §505.401 provides additional borrowing authority for the board of trustees for fire districts organized under Ohio Rev. Code §505.37(C). This section allows the fire district’s board of trustees to issue bonds to acquire fire-fighting equipment, buildings and sites for the district or to construct or improve a building to house fire equipment.

During 2014, the District financed the construction of a new firehouse by obtaining a bank loan in the amount of \$432,000, collateralized by the firehouse. Per the Revised Code sections noted above, the District does not have the authority to obtain a bank loan for construction of firehouse nor to use the firehouse as collateral for the loan.

We recommend the District finance purchases of equipment, buildings and sites with the issuance of notes or bonds in accordance with the Ohio revised code sections above.

**Officials’ Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2015-003**

**MATERIAL WEAKNESS**

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The District lacked controls to ensure that transactions were posted accurately. We identified the following posting errors

<b>2015</b>					
<b>Transaction as Posted (incorrect)</b>			<b>Correct Transaction Posting</b>		
<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Fund</b>	<b>Account</b>	<b>Amount</b>
General	Security of Person and Property	\$58,668	General	Capital Outlay	\$13,432
				Principal Retirement	\$32,090
				Interest and Fiscal Charges	\$13,146

<b>2014</b>					
<b>Transaction as Posted (incorrect)</b>			<b>Correct Transaction Posting</b>		
<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Fund</b>	<b>Account</b>	<b>Amount</b>
General	Miscellaneous	\$10,000	General	Intergovernmental	\$10,000
General	Miscellaneous	\$1,123	Special Revenue	Charges for Services	\$1,123
General	Security of Persons and Property	\$302,610	General	Capital Outlay	\$302,610
General	Security of Persons and Property	\$635	General	Interest and Fiscal Charges	\$635

These errors were caused by lack of timely monitoring of the posting of transactions. Audit adjustments were posted to the financial statements and accounting system, where appropriate, to correct these errors.

Failure to accurately post and report receipt transactions could result in material errors in the District's financial statements and reduces the ability of the Board to monitor financial activity and to make sound decisions which affect the overall, available cash position of the District.

We recommend that officials review the chart of accounts to assure that items are being properly posted to the District accounting records.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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# Dave Yost • Auditor of State

**BPM JOINT FIRE DISTRICT**

**FAYETTE 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  
SEPTEMBER 22, 2016**