



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Report of Independent Accountants | 1 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – General Fund – For the Years Ended December 31, 2001 and 2000 | 3 |
| Notes to the Financial Statements | 5 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 9 |
| Schedule of Findings..... | 11 |
| Schedule of Prior Year Findings | 15 |

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of BPM Joint Fire District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the District, as of December 31, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 21, 2002

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**

| | 2001 | 2000 |
|--|------------------------|------------------------|
| | <u>General</u> | <u>General</u> |
| Cash Receipts: | | |
| Intergovernmental | 30,567 | 31,281 |
| Earnings on Investments | 293 | 227 |
| Miscellaneous | 414 | 136 |
| | <u>31,274</u> | <u>31,644</u> |
| Cash Disbursements: | | |
| Current: | | |
| Public Safety | 22,797 | 29,831 |
| | <u>22,797</u> | <u>29,831</u> |
| Total Disbursements | <u>22,797</u> | <u>29,831</u> |
| Total Receipts Over/(Under) Disbursements | <u>8,477</u> | <u>1,813</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 8,477 | 1,813 |
| Fund Cash Balances, January 1 | <u>18,549</u> | <u>16,737</u> |
| Fund Cash Balances, December 31 | <u>\$27,027</u> | <u>\$18,549</u> |
| Reserves for Encumbrances, December 31 | <u>\$991</u> | <u>\$2,857</u> |

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

This page intentionally left blank.

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

BPM Joint Fire District, Fayette County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed three-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are, Village of Bloomingburg, Paint Township, Marion Township and Madison Township. Madison Township has chosen not to have representation on the Board. The District provides fire protection 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Deposits

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 has no funds that are required to be restricted as to use; therefore, the District classifies its funds in a General fund. The General fund is the general operating fund and is used to account for all financial resources.

E. Budgetary Process

Since the District was not formally established as a political subdivision prior to January 15, 2001, there was no statutory requirement for the District to prepare a budget. Effective with official formation, January 15, 2001, the District is required to comply with budgetary provisions established by the Ohio Revised Code.

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 level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

The District maintains a pool of deposits. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 follows:

| | <u>2001</u> | <u>2000</u> |
|----------------|-----------------|-----------------|
| Total deposits | <u>\$27,027</u> | <u>\$18,549</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 follows:

| <u>2001 Budgeted vs. Actual Receipts</u> | | | |
|--|-----------------|-----------------|-----------------|
| <u>Fund Type</u> | <u>Budgeted</u> | <u>Actual</u> | |
| | <u>Receipts</u> | <u>Receipts</u> | <u>Variance</u> |
| General | <u>\$0</u> | <u>\$31,274</u> | <u>\$31,274</u> |
| Total | <u>\$0</u> | <u>\$31,274</u> | <u>\$31,274</u> |

| <u>2001 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | | |
|--|----------------------|---------------------|-------------------|
| <u>Fund Type</u> | <u>Appropriation</u> | <u>Budgetary</u> | |
| | <u>Authority</u> | <u>Expenditures</u> | <u>Variance</u> |
| General | <u>\$0</u> | <u>\$23,788</u> | <u>(\$23,788)</u> |
| Total | <u>\$0</u> | <u>\$23,788</u> | <u>(\$23,788)</u> |

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary documents were not prepared and filed for 2001 resulting in budgetary expenditures exceeding appropriation authority in the General fund by \$23,788 for the year ended December 31, 2001. The District did not obtain prior certification of the fiscal officer for any purchases nor were expenditures properly encumbered as required by Ohio law during 2001. The District was not required to comply with budgetary provisions prior to 2001.

4. RETIREMENT SYSTEMS

The District's Clerk/Treasurer is required to belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, the Clerk/Treasurer was required to contribute 8.5% of her gross salary. The District was required to contribute an amount equal to 13.55% of participants' gross salary in 2001. The District has not paid all contributions required through December 31, 2001.

Though required for 2001, the District did not withhold, nor did they remit employee and employer PERS.

5. RISK MANAGEMENT

Commercial Insurance

The BPM Joint Fire District has obtained commercial insurance for the following risks:

- General Liability and casualty;
- Vehicles;
- Management liability; and
- Commercial Property.

6. MATERIAL NONCOMPLIANCE

- The District did not prepare or file an annual report with the Board of Trustees or Auditor of State, contrary to Ohio law.
- The District did not maintain the prescribed accounting records and documents as required by Ohio Administrative Code.

7. SUBSEQUENT EVENTS

A three year, 1.5mil Tax Levy was passed by the electorate on the ballot of the May 2, 2002 election.

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of BPM Joint Fire District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-30624-001 through 2001-30624-006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-30624-001 and 2001-30624-006.

BPM Joint Fire District
Fayette County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions described in the accompanying schedule of findings as items 2001-30624-001 and 2001-30624-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 21, 2002.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 21, 2002

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2001-30624-001

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2001, the District did not issue purchase orders or obtain fiscal officer certification before making commitments for 90% of the items tested and neither of the above exceptions was utilized.

This procedure is not only required by law, but is a key control in the disbursement process. Without proper certification of funds, disbursements could be made without current adequate resources being available or disbursements could be made in excess of authorized appropriations. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

FINDING NUMBER 2001-30624-002

Noncompliance

Ohio Rev. Code, Sections 145.03, 145.47 and 145.48, requires public employees who are members of the Public Employees Retirement System to contribute 8.5% of their earnable salary or compensation to the PERS employees' fund. The fiscal officer of each local authority shall deduct from the compensation of each member on every payroll period subsequent to the date such employee became a member, an amount equal to the applicable percent of such member's earnable salary or compensation. It also requires each employer to pay to the employer's accumulation fund an amount which shall be a certain percent of the earnable compensation of all members to be known as the "employer contribution". The District did not deduct and remit the employees share of PERS nor did they pay the employer's share of PERS for the District's Clerk-Treasurer. The District should contact the Public Employees Retirement System to determine what, if any, actions the District should take to correct this error.

FINDING NUMBER 2001-30624-003

Noncompliance

Ohio Rev. Code, Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officer of subdivision and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the proceeding year. The District did not certify their fiscal year 2001 Certificate of the Total Amount from All Sources Available for Expenditures and Balance.

FINDING NUMBER 2001-30624-004

Noncompliance

Ohio Rev. Code, Section 5705.38, requires on or about the first day of each fiscal year, an appropriation measure to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. The District did not approve their fiscal year 2001 Annual appropriation resolutions; however, expenditures were made.

FINDING NUMBER 2001-30624-005

Noncompliance

Ohio Rev. Code, Section 117.38 and OAC 117-2-03, requires entities to file annual reports with the Auditor of State within 90 days of the fiscal year end and also requires that certain sections of the report must be published in a local newspaper. Annual Financial Reports were not filed and notices of availability were not published for 2000 and 2001.

FINDING NUMBER 2001-30624-006

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02, outlines the accounting system and accounting records that are to be maintained to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Subsection (C) provides the following systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

- A. The accounting system should integrate the budgetary accounts, at the legal level of control or lower, to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.
 - The manual accounting system of the District did not integrate the approved budgetary amounts into the respective receipts and appropriations ledger as required to allow for ongoing comparison and timely reporting to the management of the District. Without a timely and ongoing comparison of budget to actual amounts, the District is at risk of under estimating receipts and/or appropriations, and thus increasing the possibility of a negative fund balance. A complete and detailed comparison of budget to actual information should be provided to the Board of Trustees at each regular monthly meeting.

FINDING NUMBER 2001-30624-006
(Continued)

- B. Purchase orders, certified by the fiscal officer, should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s). The certificate should be attached at the time a commitment to purchase goods or services are made.
- As noted in finding 2001-30436-001 above, the District failed to use purchase orders on 90% of its audit period expenditures. Without the use of a properly completed purchase order which has been certified by the Clerk, disbursements could be made without adequate current resources being available, could be made from the wrong budgetary appropriation line item, or could be made in excess of authorized appropriations. A standard purchase order should be completed and certified by the Clerk prior to the purchase commitment being made, and said purchase order should be properly recorded to the appropriation ledger to encumber funds against the applicable account line items.
- C. Vouchers containing the date, purchase order number, the account code, amount, and approval may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office.
- The Clerk failed to issue vouchers to the Board of Trustees authorizing checks to be drawn as payment for lawful obligations. The lack of using a voucher for each invoice issued for payment increases the probability of duplicate payments, unauthorized purchases and subsequent checks being issued. A voucher containing all required information should be issued by the Clerk, and authorized by the Board of Trustees for each invoice issued for payment.

Subsection (D) provides that the accounting records may include the following:

- a. A cash journal containing the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- The Clerk failed to maintain a cash journal during the audit period. Without properly maintaining a Cash Journal for all transactions of the District, the risk of misclassifying receipts and expenditures, and/or identifying unrecorded receipts and expenditures is greatly increased. A Cash Journal containing all required information should be maintained by the Clerk, and should be reconciled to the receipts ledger, appropriations ledger, and bank balance on at least a monthly basis.
- b. A receipts ledger which assembles and classifies receipts into separate accounts and contains the amount, date, name of the payor, purpose, receipt number, and other information required for the transaction.
- While the clerk did maintain a manual receipts ledger during the audit period, it failed to contain the appropriate account codes, purpose, receipt number, and estimated receipts for each respective line item. A detailed receipts ledger reduces the risk of misclassifying receipts, increases the possibility of identifying unrecorded receipts, provides a continuing comparison of budgeted receipts to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. A receipts ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.

FINDING NUMBER 2001-30624-006
(Continued)

- c. An appropriation ledger which assembles and classifies expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- While the clerk did maintain a manual disbursement ledger during the audit period, it failed to contain the appropriate account codes, check number, estimated appropriations for each respective line item, declining unencumbered balance, and monthly totals. A detailed appropriations ledger reduces the risk of misclassifying expenditures, increases the possibility of identifying unrecorded expenditures, provides a continuing comparison of budgeted appropriations to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. An appropriation ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.

**BPM JOINT FIRE DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 and 2000**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 1999-30624-002 | The District receives operating funds from the Townships and Village included in the Fire District. However, there are no written signed agreements with these entities as to the amounts due to the District. | Yes | |
| 1999-30624-001 | Ohio Rev. Code, Section 505.371, The District has not adopted the necessary resolution to become an official joint fire district. | Yes | |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 16, 2002**