



OHIO AUDITOR OF STATE
KEITH FABER



**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Bascom Joint Fire District
Seneca County
P.O. Box 132
Bascom, Ohio 44809-0132

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 Bascom Joint Fire District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

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 such 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 2 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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Bascom Joint Fire District, Seneca County, Ohio as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019 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.



Keith Faber
Auditor of State

Columbus, Ohio

June 19, 2019

Bascom Joint Fire District
Seneca County

*Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	All Fund Types			Totals (Memorandum Only)
	General	Debt Service	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$299,296			\$299,296
Charges for Services	9,970			9,970
Intergovernmental	37,517			37,517
Earnings on Investments	51			51
Miscellaneous	27,912			27,912
<i>Total Cash Receipts</i>	<u>374,746</u>			<u>374,746</u>
Cash Disbursements				
Current Disbursements:				
General Government	148,324			148,324
Public Safety	76,847			76,847
Capital Outlay	23,389		\$110,949	134,338
Debt Service:				
Principal Retirement		\$100,000		100,000
Interest and Fiscal Charges		1,065		1,065
<i>Total Cash Disbursements</i>	<u>248,560</u>	<u>101,065</u>	<u>110,949</u>	<u>460,574</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>126,186</u>	<u>(101,065)</u>	<u>(110,949)</u>	<u>(85,828)</u>
Other Financing Receipts (Disbursements)				
Sale of Capitals Assets			190,000	190,000
Bond Proceeds			110,949	110,949
Transfers In		100,155	18,672	118,827
Transfers Out	(18,672)		(100,155)	(118,827)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(18,672)</u>	<u>100,155</u>	<u>219,466</u>	<u>300,949</u>
<i>Net Change in Fund Cash Balance</i>	107,514	(910)	108,517	215,121
<i>Fund Cash Balances, January 1</i>	<u>38,495</u>	<u>\$910</u>		<u>39,405</u>
Fund Cash Balances, December 31				
Restricted			89,845	89,845
Committed			18,672	18,672
Assigned	29,326			29,326
Unassigned	116,683			116,683
<i>Fund Cash Balances, December 31</i>	<u>146,009</u>		<u>108,517</u>	<u>\$254,526</u>

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

Bascom Joint Fire District
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Bascom Joint Fire District, Seneca 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 and the third member is selected by the board of trustees in a joint session of the townships. Those subdivisions are Hopewell and Loudon Townships. The District provides fire rescue services within the District and by contract to areas outside the District.

Public Entity Risk Pool

The District participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service fund:

Bank Loan Retirement Fund The Bank Loan Retirement fund receives transfers for the debt payments relating to the bank loan.

Capital Project Fund This fund accounts for and reports 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:

Permanent Improvement Fund The Permanent Improvement fund accounts for financial resources used for the construction, improvement and acquisition of capital assets.

Bascom Joint Fire District

Seneca County

Notes to the Financial Statements For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. The County Budget Commission must also approve the annual appropriation measure.

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.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

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.

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.

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.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$373,095	\$374,746	\$1,651
Debt Service	99,245	100,155	910
Capital Projects	320,099	319,621	(478)
Total	<u>\$792,439</u>	<u>\$794,522</u>	<u>\$2,083</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,395	\$267,232	\$61,163
Debt Service	101,090	101,065	25
Capital Projects	211,104	211,104	
Total	<u>\$640,589</u>	<u>\$579,401</u>	<u>\$61,188</u>

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 4 – 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>2018</u>
Demand deposits	<u>\$254,526</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction 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.

Note 6 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employee through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York.) functions as the administrator of PEP and provides, underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the member’s deductibles.

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insures risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP'S financial statements (audited by other auditor's) conform with generally accepted accounting principles and reported the following assets, liabilities and net position at December 31, 2017 (latest information available).

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above included approximately \$11.8 million of estimate incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2018 Contributions to PEP</u> \$15,053
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Social Security

Several District employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Bond 1	\$2,047,000	3.50%
USDA Bond 2	453,000	3.875%
Total	<u>\$2,500,000</u>	

The USDA bonds are for the construction of a new fire station. During 2018, the bonds were not complete and therefore the entire bond amounts have not been utilized. As of December 31, 2018, the District had bond proceeds of \$2,389,051 available that the District had not drawn from USDA but were included in the amortization table below. These bonds will be repaid in semiannual installments over 30 years starting in 2019. The bonds will be repaid from property taxes approved by the voters.

Amortization of the above debt, including interest, is scheduled as follows:

Bascom Joint Fire District
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	Principal	Interest
2019	\$47,624	\$88,778
2020	49,341	87,066
2021	51,114	85,291
2022	52,922	83,453
2023	54,857	81,549
2024-2028	305,369	376,685
2029-2033	364,419	317,649
2034-2038	434,902	247,177
2039-2043	519,056	163,047
2044-2048	620,396	62,606
Total	\$2,500,000	\$1,593,301

Note 10 – Miscellaneous Revenue

Miscellaneous receipts within the General fund consist largely of donations and Bureau of Workers Compensation refunds.

Note 11 – Construction and Contractual Commitments

Construction of a new fire station with an estimated cost of \$2,757,000, started on October 16, 2018 and will be completed by August 21, 2019.

Note 12 – Compliance

During 2018, the District paid off a promissory note that was not a form of debt allowed in Ohio Rev. Code Chapter 133 or Ohio Rev. Code §505.401.

Bascom Joint Fire District
Seneca County

*Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	All Fund Types			Totals (Memorandum Only)
	General	Debt Service	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$109,188			\$109,829
Charges for Services	12,310			12,310
Intergovernmental	18,033			17,392
Earnings on Investments	17			17
Miscellaneous	13,699			13,699
<i>Total Cash Receipts</i>	<u>153,247</u>			<u>153,247</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property:				
Salaries	38,467			38,467
Fringe Benefits	2,328			2,328
Materials and Supplies	33,162			33,162
Equipment	2,574			2,574
Other	87,407			87,407
Capital Outlay	35,100		\$100,000	135,100
Debt Service:				
Interest and Fiscal Charges		\$3,090		3,090
<i>Total Cash Disbursements</i>	<u>199,038</u>	<u>3,090</u>	<u>100,000</u>	<u>302,128</u>
<i>Excess Disbursements Over Receipts</i>	<u>(45,791)</u>	<u>(3,090)</u>	<u>(100,000)</u>	<u>(148,881)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds			100,000	100,000
Transfers In		4,000		4,000
Transfers Out	(4,000)			(4,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,000)</u>	<u>4,000</u>	<u>\$100,000</u>	<u>100,000</u>
<i>Net Change in Fund Cash Balance</i>	<u>(49,791)</u>	<u>910</u>		<u>(48,881)</u>
<i>Fund Cash Balances, January 1</i>	<u>88,286</u>			<u>88,286</u>
Fund Cash Balances, December 31				
Assigned	5,448	910		6,358
Unassigned	33,047			33,047
<i>Fund Cash Balances, December 31</i>	<u>\$38,495</u>	<u>\$910</u>		<u>\$39,405</u>

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

Bascom Joint Fire District
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Bascom Joint Fire District, Seneca 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 and the third member is selected by the board of trustees in a joint session of the townships. Those subdivisions are Hopewell and Loudon Townships. The District provides fire rescue services within the District and by contract to areas outside the District.

Public Entity Risk Pool

The District participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

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Bank Loan Retirement Fund The Bank Loan Retirement fund receives transfers from the General fund for the debt payments relating to the bank loan.

Capital Project Fund This fund accounts for and reports 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:

Permanent Improvement Fund The Permanent Improvement fund accounts for financial resources used for the construction, improvement and acquisition of capital assets.

Bascom Joint Fire District
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. The County Budget Commission must also approve the annual appropriation measure.

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.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Bascom Joint Fire District
Seneca County

Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

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.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,000	\$153,247	\$8,247
Debt Service	4,000	4,000	
Capital Projects	100,000	100,000	
Total	\$249,000	\$257,247	\$8,247

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,374	\$203,038	\$11,336
Debt Service	4,000	3,090	910
Capital Projects		100,000	(100,000)
Total	\$218,374	\$306,128	(\$87,754)

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Note 4 – 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:

	2017
Demand deposits	<u>\$39,405</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statement includes these credits and/or deduction 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.

Note 6 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employee through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York.) functions as the administrator of PEP and provides, underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the member’s deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insures risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’S financial statements (audited by other auditor’s) conform with generally accepted accounting principles and reported the following assets, liabilities and net position at December 31, 2017.

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above included approximately \$11.8 million of estimate incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> \$13,939
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2017.

Bascom Joint Fire District

Seneca County

*Notes to the Financial Statements
For the Year Ended December 31, 2017*

Social Security

Several District employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sutton Bank Loan	<u>\$100,000</u>	Variable

Sutton Bank Loan relates to the purchase of land for the future site of new fire station. This note was set up with the anticipation of paying off the balance with the proceeds from the sale of existing fire station property. The monthly payment for the loan is interest only. The loan was paid off on March 13, 2018.

Note 10 – Miscellaneous Revenue

Miscellaneous receipts within the General fund consist largely of donations and Bureau of Workers Compensation refunds.

Note 11 – Compliance

Contrary to Ohio Rev. Code § 5705.41(B), the Capital Projects fund had expenditures that exceeded appropriations by \$100,000 at December 31, 2017. Also during 2017, the District entered into a promissory note that was not a form of debt allowed in Ohio Rev. Code Chapter 133 or Ohio Rev. Code §505.401.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bascom Joint Fire District
Seneca County
P.O. Box 132
Bascom, Ohio 44809-0132

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 Bascom Joint Fire District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2019 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.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

District's Response to Findings

The District's response to the finding identified in our audit are described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

June 19, 2019

**BASCOM JOINT FIRE DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires, in part and as codified in GASB Cod. 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements resulting in the following audit adjustments:

- In 2017, a Board approved transfer in the amount of \$4,000 from the General fund to the Bank Loan Retirement fund was recorded as a negative receipt in the General fund and as miscellaneous revenue in the Bank Loan Retirement fund instead of being reported as transfer-out and transfer-in.
- In 2018, a Board approved transfer to meet the United States Department of Agriculture Bond requirements in the amount of \$18,672 from the General fund to the Permanent Improvement fund was reported in beginning fund balance instead of being reported as transfer-in and transfer-out.
- Assigned fund balance in the Bank Loan Retirement fund of \$910 in 2017 was misclassified as unassigned.
- Restricted fund balance of \$71,173 and committed fund balance of \$18,672 in the Permanent Improvement fund were misclassified as assigned fund balance in 2018.
- Intergovernmental revenues in the General fund in the amounts of \$24,694 and \$5,228, respectively, were misclassified as miscellaneous revenue and property and other local taxes in 2018.
- Capital Outlay expenditures were understated by \$100,000 in the Permanent Improvement fund in 2017.
- Loan Proceeds of \$100,000 in the Permanent Improvement fund were misclassified as miscellaneous revenue in 2017.
- Bond Proceeds of \$110,949 in the Permanent Improvement fund were misclassified as intergovernmental revenues in 2018.

These errors were the result of inadequate policies and procedures in reviewing the financial statements.

Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board, to identify and correct errors and omissions. The Fiscal Officer should also review Audit Bulletin 2011-004 for information on GASB Statement No. 54, to help ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

The Fiscal Officer acknowledges these errors and intends to work towards preventing them from reoccurring.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code Chapters 133 and 505 authorize certain methods by which subdivisions and Fire Districts may incur debt.

Ohio Rev. Code §133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in statute.

Ohio Rev. Code §133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code §133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

Ohio Rev. Code §133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

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 and rescue equipment, buildings and sites for the district or to construct or improve a building to house fire equipment.

In 2017, the District obtained a commercial loan (promissory note) with a local bank to finance the purchase of land for the construction of a new fire station in the amount of \$100,000. The note was paid off in 2018.

This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the District was not permitted to use such a method. The District had no statutory authority to incur debt through installment loans or promissory notes with any banking institution. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the District.

The District should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.41(B) provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

On December 31, 2017, the Capital Projects fund did not have approved appropriations even though actual expenditures of \$100,000 were incurred.

Allowing expenditures to exceed appropriations could result in deficit spending. These errors were not identified and corrected prior to the audit due to deficiencies in the District's compliance monitoring.

The District's management officials should regularly monitor budgets to make sure there are sufficient appropriations to fund anticipated expenditures.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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OHIO AUDITOR OF STATE KEITH FABER



BASCOM JOINT FIRE DISTRICT

SENECA 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 9, 2019**