



Dave Yost • Auditor of State



MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Miami Valley Fire District  
Montgomery County  
2710 Lyons Road  
Miamisburg, Ohio 45342

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Miami Valley Fire District, Montgomery County, (the District) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

### ***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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or 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 combined cash balances of Miami Valley Fire District, Montgomery County as of December 31, 2013 and 2012, 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 November 14, 2014, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 14, 2014

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>General</u>          | <u>Special<br/>Revenue</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-------------------------|----------------------------|---|
| <b>Cash Receipts:</b>                      |                         |                            |   |
| Charges for Services                       | \$1,048                 | \$1,186,471                | \$1,187,519                             |
| Intergovernmental                          | 8,517,813               |                            | 8,517,813                               |
| Miscellaneous                              | 153,863                 |                            | 153,863                                 |
|  | <hr/>                   |                            |   |
| Total Cash Receipts                        | <u>8,672,724</u>        | <u>1,186,471</u>           | <u>9,859,195</u>                        |
| <b>Cash Disbursements:</b>                 |                         |                            |   |
| Current Disbursements:                     |                         |                            |   |
| Security of Persons and Property:          |                         |                            |   |
| Salaries                                   | 5,365,591               | 293,033                    | 5,658,624                               |
| Fringe Benefits                            | 1,825,084               | 115,478                    | 1,940,562                               |
| Contractual Services                       | 810,785                 | 44,385                     | 855,170                                 |
| Materials and Supplies                     | 347,738                 | 18,991                     | 366,729                                 |
| Equipment                                  | 38,642                  | 2,110                      | 40,752                                  |
| Capital Outlay                             | 151,697                 | 8,285                      | 159,982                                 |
| Debt Service:                              |                         |                            |   |
| Principal Retirement                       | 252,684                 | 13,800                     | 266,484                                 |
| Interest and Fiscal Charges                | 160,251                 | 8,752                      | 169,003                                 |
|  | <hr/>                   |                            |   |
| Total Cash Disbursements                   | <u>8,952,472</u>        | <u>504,834</u>             | <u>9,457,306</u>                        |
| Excess Receipts Over (Under) Disbursements | <u>(279,748)</u>        | <u>681,637</u>             | <u>401,889</u>                          |
| Fund Cash Balances, January 1              | <u>661,661</u>          | <u>372,911</u>             | <u>1,034,572</u>                        |
| <b>Fund Cash Balances, December 31</b>     |                         |                            |   |
| Restricted                                 |                         | 1,054,548                  | 1,054,548                               |
| Assigned                                   | 65,558                  |                            | 65,558                                  |
| Unassigned (Deficit)                       | 316,356                 |                            | 316,356                                 |
|  | <hr/>                   |                            |   |
| <i>Fund Cash Balances, December 31</i>     | <u><u>\$381,914</u></u> | <u><u>\$1,054,548</u></u>  | <u><u>\$1,436,462</u></u>               |

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

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | <b>General</b>   | <b>Special<br/>Revenue</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|------------------|----------------------------|---|
| <b>Cash Receipts:</b>                     |                  |                            |   |
| Charges for Services                      | \$600            | \$372,911                  | \$373,511                               |
| Intergovernmental                         | 4,945,197        |                            | 4,945,197                               |
| Miscellaneous                             | 83,294           |                            | 83,294                                  |
| <b>Total Cash Receipts</b>                | <b>5,029,091</b> | <b>372,911</b>             | <b>5,402,002</b>                        |
| <b>Cash Disbursements:</b>                |                  |                            |   |
| Current Disbursements:                    |                  |                            |   |
| Security of Persons and Property:         |                  |                            |   |
| Salaries                                  | 2,785,774        |                            | 2,785,774                               |
| Fringe Benefits                           | 716,573          |                            | 716,573                                 |
| Contractual Services                      | 396,539          |                            | 396,539                                 |
| Materials and Supplies                    | 135,156          |                            | 135,156                                 |
| Travel & Transportation                   | 4,757            |                            | 4,757                                   |
| Other                                     | 10,959           |                            | 10,959                                  |
| Capital Outlay                            | 155,081          |                            | 155,081                                 |
| Debt Service:                             |                  |                            |   |
| Principal Retirement                      | 115,500          |                            | 115,500                                 |
| Interest and Fiscal Charges               | 100,281          |                            | 100,281                                 |
| <b>Total Cash Disbursements</b>           | <b>4,420,620</b> |                            | <b>4,420,620</b>                        |
| <b>Excess Receipts Over Disbursements</b> | <b>608,471</b>   | <b>372,911</b>             | <b>981,382</b>                          |
| <b>Other Financing Receipts:</b>          |                  |                            |   |
| Sale of Capital Assets                    | 53,190           |                            | 53,190                                  |
| <b>Total Other Financing Receipts</b>     | <b>53,190</b>    |                            | <b>53,190</b>                           |
| <b>Net Change in Fund Cash Balance</b>    | <b>661,661</b>   | <b>372,911</b>             | <b>1,034,572</b>                        |
| <b>Fund Cash Balances, January 1</b>      | <b>0</b>         | <b>0</b>                   | <b>0</b>                                |
| <b>Fund Cash Balances, December 31</b>    |                  |                            |   |
| Restricted                                |                  | 372,911                    | 372,911                                 |
| Unassigned (Deficit)                      | 661,661          |                            | 661,661                                 |
| <b>Fund Cash Balances, December 31</b>    | <b>\$661,661</b> | <b>\$372,911</b>           | <b>\$1,034,572</b>                      |

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



**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Miami Valley Fire District, Montgomery County, (the District) as a body corporate and politic. An agreement between the City of Miamisburg and Miami Township established the entity over a five-year period beginning May 30, 2012. The agreement between these entities establishing the District can then be renewed or the entities can agree to dissolve the District according to the provisions of the agreement. A five-member Board of Trustees governs the District. The City and the Township each appoint two of the trustees, with the remaining appointment made by the four members appointed by the City and the Township.

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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) permit.

**C. Cash Deposits**

The District did not hold any investments during 2012 and 2013. The District only utilized checking accounts.

**D. Fund Accounting**

The District uses fund accounting to segregate cash deposits 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 Funds**

These funds account 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:

*Ambulance Fund* – The District is required by Ohio Revised Code to receipt charges for ambulatory services into a special revenue fund to pay for ambulance operations.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**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 are additionally reviewed and approved by the City of Miamisburg and Miami Township governing authorities. 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.

**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 re-appropriated.

The District did not encumber all commitments required by Ohio law

A summary of 2013 and 2012 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. Non-spendable**

The District classifies assets as *non-spendable* 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.

**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.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**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.

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.

**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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**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>2013</u>        | <u>2012</u>        |
|-----------------|--------------------|--------------------|
| Demand deposits | <u>\$1,436,462</u> | <u>\$1,034,572</u> |
| Total deposits  | <u>\$1,436,462</u> | <u>\$1,034,572</u> |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 is as follows:

| 2013 Budgeted vs. Actual Receipts |                      |                    |               |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance      |
| General                           | \$9,822,340          | \$8,672,724        | (\$1,149,616) |
| Special Revenue                   | 0                    | 1,186,471          | 1,186,471     |
| Total                             | \$9,822,340          | \$9,859,195        | \$36,855      |

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$9,288,971                | \$9,018,028               | \$270,943   |
| Special Revenue                                       | 0                          | 504,834                   | (504,834)   |
| Total   | \$9,288,971                | \$9,522,862               | (\$233,891) |

| 2012 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$5,770,572          | \$5,082,281        | (\$688,291) |
| Special Revenue                   | 0                    | 372,911            | 372,911     |
| Total                             | \$5,770,572          | \$5,455,192        | (\$315,380) |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$5,206,902                | \$4,420,620               | \$786,282 |
| Special Revenue                                       | 0                          | 0                         | 0         |
| Total   | \$5,206,902                | \$4,420,620               | \$786,282 |

Contrary to Ohio law, the Fire District did not account for the charges for ambulance services in a separate fund. Because of this, the budgetary expenditures exceeded appropriation authority in the EMS fund by \$504,834 for the year ended December 31, 2013 since the District included appropriations within a single fund when appropriated. Additionally, the total appropriations exceeded expenditures in 2013 by \$233,891.

**4. DEBT**

The District leases its equipment from the City of Miamisburg and Miami Township. According to the terms of the master agreement that established the District, the District leases all equipment except for the new firehouse for the flat rate of \$1 per year. The District additionally pays an ambulance and fire engine lease on behalf of Miami Township although the Fire District is not the legal obligor on the lease. The terms of the master agreement only provide for these terms to extend to June 1, 2017 at which time the agreement can be renewed or the District dissolved.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows until June 1, 2017:

| Year ending December 31: | Fire Station 51<br>Lease | Fire Engine<br>Lease | Ambulance<br>Lease |
|--------------------------|--------------------------|----------------------|--------------------|
| 2014                     | \$315,652                | \$88,609             | \$71,406           |
| 2015                     | 315,345                  | 88,609               | 71,406             |
| 2016                     | 318,453                  | 88,609               | 0                  |
| Total                    | <u>\$949,450</u>         | <u>\$265,827</u>     | <u>\$142,812</u>   |

**5. RETIREMENT SYSTEMS**

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and the first half of 2013, and the second half of 2013 OP&F participants contributed 10% and 10.75% of their wages, respectively. For 2013 and 2012, the District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2013 and 2012, OPERS members contributed 12% and 11.5%, respectively, of their gross salaries and the District contributed an amount equaling 18.1% of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

**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 employees through the Ohio Bureau of Worker's Compensation.

**A. Public Entities Pool of Ohio**

During 2013, the District belonged 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013, the latest information available:

|              | <u>2012</u>         | <u>2013</u>         |
|--------------|---------------------|---------------------|
| Assets       | \$34,389,569        | \$34,411,883        |
| Liabilities  | (14,208,353)        | (12,760,194)        |
| Net Position | <u>\$20,181,216</u> | <u>\$21,651,689</u> |

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the District's share of these unpaid claims collectible in future years is approximately \$46,000.

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>Contributions to PEP</u> |             |
|-----------------------------|-------------|
| <u>2012</u>                 | <u>2013</u> |
| \$0                         | \$65,949    |

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.

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Ohio Township Risk Management Association**

In 2012, the District belonged to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012.

|              | <b><u>2012</u></b>  |
|--------------|---------------------|
| Assets       | \$34,771,270        |
| Liabilities  | (9,355,082)         |
| Net Position | <u>\$25,416,188</u> |

At December 31, 2012, the liabilities above include approximately \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2012. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the District's share of these unpaid claims collectible in future years is approximately \$36,000.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

| <b><u>Contributions to OTARMA</u></b> |          |
|---------------------------------------|----------|
| <b><u>2012</u></b>                    |          |
|                                       | \$64,822 |

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA 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 the pool. 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.





# 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

Miami Valley Fire District  
Montgomery County  
2710 Lyons Road  
Miamisburg, Ohio 45342

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 Miami Valley Fire District, Montgomery County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 14, 2014 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-002 described in the accompanying schedule of findings 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 2013-001 and 2013-002.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 14, 2014

**MIAMI VALLEY FIRE DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2013-001**

**Material Noncompliance**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of twelve expenditures tested, the Fiscal Officer did not certify eight expenditures (67%) at the time the District incurred the commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2013-001  
(Continued)**

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2013-002**

**Material Weakness/Material Noncompliance**

**Ohio Rev. Code §505.371(C)(1) states:**

- (1) The board of fire district trustees may establish reasonable charges for the use of ambulance or emergency medical services. The board may establish different charges for residents and nonresidents of the district, and may waive, at its discretion, all or part of the charge for any resident of the district. The charge for nonresidents shall be an amount not less than the authorized medicare reimbursement rate, except that if, prior to February 4, 1998, the board had different charges for residents and nonresidents and the charge for nonresidents was less than the authorized medicare reimbursement rate, the board may charge nonresidents less than the authorized medicare reimbursement rate.
- (2) In the resolution creating the joint fire district, the political subdivisions that create the district may provide that any of those political subdivisions may agree to pay any charges for the use of ambulance or emergency medical services that the board of fire district trustees establishes under division (C)(1) of this section and that are incurred by the residents of the particular political subdivision. Unless the board elects pursuant to that division to waive all or part of the charges for the use of ambulance or emergency medical services that any resident of the district incurs, the residents of a particular political subdivision that has not so agreed to pay the charges for the use of ambulance or emergency medical services incurred by its residents shall pay those charges.
- (3) Charges collected under division (C) of this section shall be kept in a separate fund designated as the ambulance and emergency medical services fund and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services in the district.

During fiscal years ended December 31, 2012 and 2013, the District received into the General Fund \$372,911 and \$1,186,471, respectively. Receipting these charges into the incorrect fund may cause improper expenditures and findings for adjustment. The District established the ambulance and emergency fund and adjusted the accounting records and financial statements accordingly.

**Ohio Revised Code §5705.41(B)** states that no taxing authority shall make any expenditures of money unless it has been appropriated. Due to the District not establishing a special revenue fund until after the audit period, the expenditures assigned to the fund were not appropriated.

We recommend that the District review the appropriate authoritative guidance to determine the proper treatment for different sources of funding before posting the revenues related to these sources.

**Officials Response:** Officials did not respond to the findings noted above.



# Dave Yost • Auditor of State

**MIAMI VALLEY FIRE DISTRICT**

**MONTGOMERY 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  
DECEMBER 9, 2014**