



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Southern Highland Joint Fire District
Highland County
50 Maple Street
Mowrystown, Ohio 45155

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Southern Highland Joint Fire District, Highland 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.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The District has outsourced emergency medical service (EMS) billing and collection to a third party administrator. The District contracted with ABN for the EMS billing and collection activity for the period January 2017 through September 2017, and continued receiving funds from ABN throughout 2017 and 2018. The financial statements report EMS charges for services in the Fire Special Revenue Fund. The third party administrator, ABN, did not provide the District with information regarding the design or proper operation of its internal controls for 2018 and 2017. We were unable to obtain sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts directly deposited into the District's bank account by ABN and recorded as charges for services revenue in the EMS fund. These EMS charges for services represent 8% of the 2018 and 48% of the 2017 special revenue fund receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, 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 the Southern Highland Joint Fire District, Highland County 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 August 12, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State

Columbus, Ohio

August 12, 2019

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**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$155,101	\$0	\$0	\$155,101
Intergovernmental	3,664	6,047	0	9,711
Charges for Services	0	16,578	0	16,578
Miscellaneous	667	0	0	667
<i>Total Cash Receipts</i>	<u>159,432</u>	<u>22,625</u>	<u>0</u>	<u>182,057</u>
Cash Disbursements				
Current:				
General Government	5,185	0	0	5,185
Public Safety	137,847	30,014	0	167,861
Capital Outlay	213,961	0	500	214,461
Debt Service:				
Principal Retirement	43,089	0	0	43,089
Interest and Fiscal Charges	2,222	0	0	2,222
<i>Total Cash Disbursements</i>	<u>402,304</u>	<u>30,014</u>	<u>500</u>	<u>432,818</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(242,872)</u>	<u>(7,389)</u>	<u>(500)</u>	<u>(250,761)</u>
<i>Fund Cash Balances, January 1</i>	<u>315,341</u>	<u>58,233</u>	<u>9,246</u>	<u>382,820</u>
Fund Cash Balances, December 31				
Restricted	0	50,844	8,746	59,590
Unassigned (Deficit)	72,469	0	0	72,469
<i>Fund Cash Balances, December 31</i>	<u><u>\$72,469</u></u>	<u><u>\$50,844</u></u>	<u><u>\$8,746</u></u>	<u><u>\$132,059</u></u>

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

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Southern Highland Joint Fire District
Highland 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 Southern Highland Joint Fire District, Highland County, (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. These six members then appoint one at large member. Those subdivisions are Concord Township, Whiteoak Township, and Village of Mowrystown. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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.

Special Revenue Fund This fund accounts for and reports 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:

Fire Fund: This fund receives the charges for emergency medical services for the payment of the costs of management, maintenance, and operation of emergency medical services in the District.

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: This fund received the initial debt proceeds for the construction of the building at the District's Station number 2.

Southern Highland Joint Fire District
Highland 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 Board 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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The District's funds are deposited in a checking account with a local commercial bank.

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.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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	\$207,377	\$159,432	(\$47,945)
Special Revenue	37,541	22,625	(14,916)
Capital Projects	0	0	0
Total	\$244,918	\$182,057	(\$62,861)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$515,475	\$402,304	\$113,171
Special Revenue	95,774	30,014	65,760
Capital Projects	9,246	500	8,746
Total	\$620,495	\$432,818	\$187,677

Note 4 – Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$132,059
Total deposits	132,059

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. At January 31, 2018, \$142,419 of deposits were not insured or collateralized, contrary to Ohio law.

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 homestead and rollback deductions. The financial statements include homestead and

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7– Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Social Security

One of the District's 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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 2.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Building Loan	\$53,410	3.5%
Tanker Trucks Loan	\$4,750	0%
Engine Loan	161,500	0%
Total	\$219,660	

The District obtained a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund to purchase two tanker trucks and the cost of repairs and equipment needed to get them equipped for runs.

The District entered into a commercial promissory note with Merchants National Bank to construct a building at fire station number 2.

The District obtained a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund to purchase a 2017 Rosenbauer Engine and equipment.

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

	Merchants National Bank Building Loan	2009 Fire Marshal Revolving Loan	2017 Fire Marshal Revolving Loan
Year Ending December 31:			
2019	\$14,436	\$4,750	\$19,000
2020	14,436	0	19,000
2021	14,436	0	19,000
2022	14,436	0	19,000
2023	0	0	19,000
2024-2028	0	0	66,500
Total	\$57,744	\$4,750	\$161,500

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$154,896	\$0	\$0	\$154,896
Intergovernmental	58,902	18,586	0	77,488
Charges for Services	0	33,540	0	33,540
Miscellaneous	5,167	0	0	5,167
<i>Total Cash Receipts</i>	<u>218,965</u>	<u>52,126</u>	<u>0</u>	<u>271,091</u>
Cash Disbursements				
Current:				
General Government	924	0	0	924
Public Safety	123,489	26,378	0	149,867
Capital Outlay	54,563	18,644	0	73,207
Debt Service:				
Principal Retirement	28,415	0	0	28,415
Interest and Fiscal Charges	2,646	0	0	2,646
<i>Total Cash Disbursements</i>	<u>210,037</u>	<u>45,022</u>	<u>0</u>	<u>255,059</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,928</u>	<u>7,104</u>	<u>0</u>	<u>16,032</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	190,000	0	0	190,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>190,000</u>	<u>0</u>	<u>0</u>	<u>190,000</u>
<i>Net Change in Fund Cash Balances</i>	198,928	7,104	0	206,032
<i>Fund Cash Balances, January 1</i>	<u>116,413</u>	<u>51,129</u>	<u>9,246</u>	<u>176,788</u>
Fund Cash Balances, December 31				
Restricted	0	58,233	9,246	67,479
Unassigned (Deficit)	315,341	0	0	315,341
<i>Fund Cash Balances, December 31</i>	<u><u>\$315,341</u></u>	<u><u>\$58,233</u></u>	<u><u>\$9,246</u></u>	<u><u>\$382,820</u></u>

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

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Southern Highland Joint Fire District
Highland 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 Southern Highland Joint Fire District, Highland County, (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each political subdivision within the District appoints two members. These six members then appoint one at large member. Those subdivisions are Concord Township, Whiteoak Township, and Village of Mowrystown. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District’s management believes these financial statements present all activities for which the District is financially accountable.

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.

Special Revenue Fund This fund accounts for and reports 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:

Fire Fund: This fund receives the charges for emergency medical services for the payment of the costs of management, maintenance, and operation of emergency medical services in the District.

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: This fund received the initial debt proceeds for the construction of the building at the District’s Station number 2.

Southern Highland Joint Fire District
Highland 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 Board 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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The District's funds are deposited in a checking account with a local commercial bank.

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:

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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	\$196,957	\$408,965	\$212,008
Special Revenue	37,541	52,126	14,585
Capital Projects	0	0	0
Total	\$234,498	\$461,091	\$226,593

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$264,468	\$210,037	\$54,431
Special Revenue	88,670	45,022	43,648
Capital Projects	9,246	0	9,246
Total	\$362,384	\$255,059	\$107,325

Note 4 – Deposits and Investments

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$382,820
Total deposits	382,820

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; □ Vehicles; and

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants’ gross salaries. The District has paid all contributions required through December 31, 2017.

Social Security

One of the District’s 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 2.0 percent during calendar year 2017.

Note 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Building Loan	\$65,623	3.5%
Tanker Trucks Loan	\$16,625	0%
Engine Loan	\$180,500	0%
Total	<u>\$262,748</u>	

The District obtained a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund to purchase two tanker trucks and the cost of repairs and equipment needed to get them equipped for runs.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The District entered into a commercial promissory note with Merchants National Bank to construct a building at fire station number 2.

The District obtained a non-interest bearing loan from the Small Government Fire Department Services Revolving Loan Program Fund to purchase a 2017 Rosenbauer Engine and equipment.

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

Year Ending December 31:	Merchants National Bank Building Loan	2009 State Fire Marshal Revolving Loan	2017 State Fire Marshal Revolving Loan
2018	\$14,436	\$9,500	\$19,000
2019	14,436	7,125	19,000
2020	14,436	0	19,000
2021	14,436	0	19,000
2022	14,436	0	19,000
2023-2027	0	0	85,500
Total	<u>\$72,180</u>	<u>\$16,625</u>	<u>\$180,500</u>

OHIO AUDITOR OF STATE KEITH FABER



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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

Southern Highland Joint Fire District
Highland County
50 Maple Street
Mowrystown, Ohio 45155

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Southern Highland Joint Fire District, Highland County, (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 August 12, 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. We modified our opinion on the financial statements because the District's third party administrator did not provide the District with information regarding the emergency medical services (EMS) billing and collections reported in the District's Special Revenue Fund and we were unable to satisfy ourselves as to the completeness of the billing and collection.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003, 2018-005, and 2018-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as 2018-004 through 2018-005.

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

August 12, 2019

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND 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

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The District has outsourced its emergency medical services (EMS) billing and collection activity, which is a significant accounting function, to a third-party administrator. January 2017 through September 2017 the District contracted with ABN for the EMS billing and collection activity. The District continued to receive funds from ABN throughout 2017 and 2018. Due to deficiencies in internal controls, the District had not established procedures to determine whether this service organization had sufficient controls in place and operating effectively to reduce the risk that EMS billing and collection activity had not been completely and accurately processed for the period. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the District with reasonable assurance that EMS billing and collection activity has been completely and accurately processed for the period.

Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The District should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type 2 SOC 1 report, the District should contract with a third-party administrator that will provide this report. In September 2017, the District contracted with MCA as the third-party administrator and a SOC 1 report was provided.

A Type 2 SOC 1 report was not obtained for ABN, nor was one required in their contract.

The third party administrator did not provide the District with the information regarding the design or proper operation of its internal controls for the period. We were unable to obtain sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts directly deposited into the District's bank account and recorded as charges for services revenue in the EMS fund. The unsupported receipts make up \$1,385 of the \$16,578 during 2018 and \$16,320 of the \$33,540 during 2017 of the Special Revenue Charges for Services, as a result, we have modified our opinion.

Officials' Response:

We did not receive a response from Officials to this finding

FINDING NUMBER 2018-002

Material Weakness

Accurate and timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the District to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

The District used ABN from January through September 2017 and MCA from September 2017 through current as a third party administrator for billing purposes. Each squad enters their EMS runs into the Run Reporting System and the files are then uploaded to ABN and MCA.

We noted the following deficiencies during our testing over the District:

- A reconciliation of the EMS receipts directly deposited in the District's bank account from ABN were not reconciled. The District did not receive a report of collections from the third party administrator. EMS receipts were directly deposited into the District's bank account without any information to identify the billed party.
- Due to the lack of reports provided by ABN, the deposits were not reconciled to the EMS run reports to ensure that the proper rate was being billed.
- Collection reports were received from MCA when the District switched in September 2017. A reconciliation of run reports prepared by the EMS personnel was not being reconciled to the billing reports from MCA for September through December 2017 or 2018 to ensure that the proper rate was being charged.
- The District did not post EMS receipts timely. EMS receipts were direct deposited into the District's checking account several times a month, however receipts were posted to the District's accounting system once a month.

Without complete and timely reconciliation of service organization provided information to the information entered and processed for billing; unbilled services, and undetected billing errors could occur. To reduce the risk of undetected errors we recommend the following procedures:

- The District should verify that all runs have been completely and accurately entered into the software system and have been processed for billing by reconciling the run reports to the monthly EMS Run Activity Report from the third party billing service.
- The District should reconcile MCA reports to District run records and notify the third party billing service of any errors, omissions, or discrepancies in a timely manner.
- The District should obtain collection reports from the third party billing service (ABN) for any residual receipts and reconcile the EMS direct deposit amounts received to the collection reports. Any noted variances should be investigated.
- The District should post EMS receipts to the District's accounting system when they are received.

Officials' Response:

We did not receive a response from Officials to this finding

FINDING NUMBER 2018-003

Material Weakness

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.

We noted the following conditions related to the District's accounting system in 2018:

- General government expenditures and capital outlay were overstated by \$40,561 and \$4,750 in the General Fund.
- Principal retirement and interest and fiscal charges were understated by \$43,089 and \$2,222 in the General Fund.
- Intergovernmental receipts was overstated by \$1,629 and general government disbursements and property taxes receipts were understated by \$4,206 and \$5,835 in the General Fund.

We noted the following conditions related to the District's accounting system in 2017:

- General government expenditures and capital outlay were overstated by \$23,936 and \$7,125 in the General Fund.
- Principal retirement and interest and fiscal charges were understated by \$28,415 and \$2,646 in the General Fund.
- Intergovernmental Revenue was overstated and other debt proceeds were understated by \$190,000 in the General Fund.
- Miscellaneous receipts was overstated and intergovernmental receipts was understated by \$18,586 in the Fire & Rescue and Ambulance & EMS Services Fund.

The District corrected the financial statements.

The District made additional errors in classifying receipt and disbursement transaction line items in the General Fund in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$1,465 to \$2,040 in 2018 and ranging from \$4,204 to \$4,418 in 2017. The District did not correct the financial statements for these errors.

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

We recommend that the District accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code § 135.18 states, in part, a political subdivision shall require the institution designated as a public depository to pledge a deposit with, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The District's accounts at Merchants National Bank had \$392,419 at January 31, 2018. These deposits were partially secured by FDIC insurance of \$250,000. Therefore, contrary to Ohio law, the District had \$142,419 in uncollateralized monies on January 31, 2018.

The District can become uncollateralized which can result in loss of public monies. The District should implement procedures to ensure that it is always properly collateralized.

Officials' Response:

We did not receive a response from Officials to this finding

FINDING NUMBER 2018-005

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.41 (D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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.

FINDING NUMBER 2018-005
(Continued)

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.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also 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 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.

The District did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. 100% of the transactions tested at December 31, 2018 and December 31, 2017 were not certified prior to purchasing commitment. This resulted in unrecorded encumbrances for 2018 in the amount of \$3,439 in the General Fund and 2017 in the amount of \$204,507 in the General Fund and \$205 in the Special Revenue Fund. Also, the District did not establish a set amount approved by majority of the Board by resolution or ordinance that blanket certificates may not exceed.

We recommend the District officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response:

We did not receive a response from Officials to this finding

FINDING NUMBER 2018-006

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

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.

**FINDING NUMBER 2018-006
 (Continued)**

The Appropriation resolution and subsequent amendments establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the District and the receipts ledger provides the process by which the Board controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Certificate of Estimated Receipts differed from Accounting System Revenue Ledger

2018			
Fund	Certified Estimated Receipts	Accounting System- Revenue Ledger	Variance
General	\$207,377	\$200,134	\$7,243

Certified Estimated Receipts differed from the Budgetary Note:

2018			
Fund	Certified Estimated Receipts	Estimated Receipts Posted to Budgetary Note	Variance
General	\$207,377	\$200,134	\$7,243

2017			
Fund	Certified Estimated Receipts	Estimated Receipts Posted to Budgetary Note	Variance
General	\$196,957	\$142,540	\$54,417

Actual Receipts differed from the Budgetary Note:

2017			
Fund	Actual Receipts	Actual Receipts Posted to Budgetary Note	Variance
General	\$408,965	\$164,963	\$244,002
Special Revenue	\$52,126	\$12,471	\$39,655

Approved Appropriations differed from Budgetary Note:

2017			
Fund	Certified Appropriations	Appropriations Posted to Budgetary Note	Variance
General	\$264,468	\$0	\$264,468
Special Revenue	\$88,670	\$0	\$88,670
Capital Projects	\$9,246	\$0	\$9,246

**FINDING NUMBER 2018-006
 (Continued)**

Budgetary Expenditures differed from the Budgetary Note:

2017			
Fund	Budgetary Expenditures	Budgetary Expenditures Posted to Budgetary Note	Variance
General	\$210,037	\$189,298	\$20,739
Special Revenue	\$45,022	\$38,464	\$6,558
Capital Projects	\$0	\$3,254	(\$3,254)

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system. Also, the District did not accurately report budgetary expenditures or actual receipts in the Budgetary Note.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Board should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The District should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

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

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**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
50 MAPLE STREET
MOWRYSTOWN, OHIO 45155**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	The District contracted with ABN for their third party EMS billing services. No reports were received from third party biller results in the District being unable to perform monthly reconciliations. The District also did not post receipts to the accounting system in a timely manner.	Partially Corrected	Reissued as 2018-001. The District did switch billing services during the audit period
2016-002	The District did not file their appropriations with the County Auditor on or about the first day of the fiscal year.	Fully Corrected	Appropriations were filed on time with the County Auditor's office.
2016-003	The District did not post transactions in the accounting system accurately.	Not Corrected	Reissued as 2018-002

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OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN HIGHLAND JOINT FIRE DISTRICT

HIGHLAND 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
AUGUST 27, 2019**