



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 of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Southern Highland Joint Fire District, Highland County, Ohio (the Fire District), which comprises the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Fire District, as of December 31, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fire District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Fire District on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 2022 financial statements and Note 13 to the 2021 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Fire District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fire District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, on our consideration of the Fire 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's 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 Fire District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
February 12, 2024

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Southern Highland Joint Fire District
Highland County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

	All Fund Types			Combined Total
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 179,479	\$ 0	\$ 0	\$179,479
Charges for Services	0	23,784	0	23,784
Intergovernmental	6,016	0	0	6,016
Miscellaneous	741	0	0	741
<i>Total Cash Receipts</i>	<u>186,236</u>	<u>23,784</u>	<u>0</u>	<u>210,020</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property:				
General Government	12,125	0	0	12,125
Public Safety	131,175	45,618	0	176,793
Capital Outlay	0	221,053	0	221,053
Debt Service:				
Principal Retirement	23,552	14,434	0	37,986
Interest and Fiscal Charges	384	3,056	0	3,440
<i>Total Cash Disbursements</i>	<u>167,236</u>	<u>284,161</u>	<u>0</u>	<u>451,397</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>19,000</u>	<u>(260,377)</u>	<u>0</u>	<u>(241,377)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	21,700	0	0	21,700
Loans Issued	0	221,053	0	221,053
<i>Total Other Financing Receipts (Disbursements)</i>	<u>21,700</u>	<u>221,053</u>	<u>0</u>	<u>242,753</u>
<i>Net Change in Fund Cash Balance</i>	<u>40,700</u>	<u>(39,324)</u>	<u>0</u>	<u>1,376</u>
<i>Fund Cash Balances, January 1</i>	<u>93,987</u>	<u>61,374</u>	<u>7,727</u>	<u>163,088</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$134,687</u></u>	<u><u>\$22,050</u></u>	<u><u>\$7,727</u></u>	<u><u>\$164,464</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, 2022

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 and Rescue, Ambulance and EMS service: 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.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 (C) 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. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2022 budgetary activity appears in Note 4.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire and Rescue, Ambulance and EMS service fund by \$225,000 for the year ended December 31, 2022. Additionally, the Fire District did not obtain the proper Amended Certificate of Resources for additional funding available during the fiscal year.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,028	\$207,936	\$47,908
Special Revenue	50,000	244,837	194,837
Capital Projects	0	0	0
Total	\$210,028	\$452,773	\$242,745

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$247,747	\$167,236	\$80,511
Special Revenue	117,642	284,161	(166,519)
Capital Projects	7,727	0	7,727
Total	\$373,116	\$451,397	(\$78,281)

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Deposits

The District maintains a deposits 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>2022</u>
Total deposits	<u><u>164,464</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6– 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.

Public utilities are also taxed on personal and real property located within the District.

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

Note 7 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 – 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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, 2022.

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, 2022.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. . The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Note 10 – Debt

Debt outstanding at December 31, 2022 was as follows:

	Principal	Interest Rate
2017 Fire Marshall Engine Loan	109,250	0%
MNB - Squad Vehicle Loan	206,619	2.75%
Total	\$315,869	

In 2017, the District obtained a non-interest bearing loan, in amount of \$190,000 from the Small Government Fire Department Services Revolving Loan Program Fund to purchase a 2017 Rosenbauer Engine and equipment. The District agreed to repay this loan through equal quarterly payments in the amount of \$4,750, over 10 years, with payments ending in July 2027.

In 2022, the District entered into a commercial promissory note, in amount of \$221,053 with Merchants National Bank to purchase an EMS Squad . The District agreed to repay this note through equal semi-annual payments in amount of \$17,490, over 7 years, with payments ending in January 2029.

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Year Ending December 31:	2017 Fire Marshall Engine	2022 Merchant National Bank Squad Loan
2023	\$38,000	\$34,980
2024	19,000	34,980
2025	19,000	34,980
2026	19,000	34,980
2027	14,250	34,980
2028-2029	0	52,470
Total	\$109,250	\$227,370

Contrary to debt payment covenant requirements, the District did not make all the required payments on the 2017 Fire Marshal Engine Loan. As of December 31, 2022, the District had \$19,000 in outstanding payments.

Note 11 – Fund Balance

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the District had no encumbrances. The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated

Southern Highland Joint Fire District
Highland County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	All Fund Types			Combined Total
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 159,163	\$ 0	\$ 0	\$159,163
Charges for Services	0	40,974	0	40,974
Intergovernmental	8,113	93,595	0	101,708
Miscellaneous	5,212	0	0	5,212
<i>Total Cash Receipts</i>	<u>172,488</u>	<u>134,569</u>	<u>0</u>	<u>307,057</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property:				
General Government	6,455	0	0	6,455
Public Safety	108,615	29,441	0	138,056
Capital Outlay	7,394	93,595	773	101,762
Debt Service:				
Principal Retirement	23,075	0	0	23,075
Interest and Fiscal Charges	861	0	0	861
<i>Total Cash Disbursements</i>	<u>146,400</u>	<u>123,036</u>	<u>773</u>	<u>270,209</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>26,088</u>	<u>11,533</u>	<u>(773)</u>	<u>36,848</u>
<i>Fund Cash Balances, January 1</i>	<u>67,899</u>	<u>49,841</u>	<u>8,500</u>	<u>126,240</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$93,987</u></u>	<u><u>\$61,374</u></u>	<u><u>\$7,727</u></u>	<u><u>\$163,088</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, 2021

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 Funds:

Fire and Rescue, Ambulance and EMS service: 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.

FEMA: This fund receives the federal funding from the Federal Emergency Management Agency (FEMA) for Emergency management equipment to be used by 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, 2021

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 (C). 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 (C) 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. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 4.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the FEMA special revenue fund by \$93,595 for the year ended December 31, 2021. Additionally, the Fire District did not obtain the proper Amended Certificate of Resources for additional funding available during the fiscal year.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,692	\$172,488	\$8,796
Special Revenue	45,000	134,569	89,569
Capital Projects	0	0	0
Total	\$208,692	\$307,057	\$98,365

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,591	\$146,400	\$85,191
Special Revenue	188,436	123,036	65,400
Capital Projects	8,500	773	7,727
Total	\$428,527	\$270,209	\$158,318

Note 5 – 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:

	2021
Total deposits	163,088

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6– 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.

Public utilities are also taxed on personal and real property located within the District.

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

Note 7 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 – 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, 2021.

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, 2021.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. . The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021 was as follows:

	Principal	Interest Rate
MNB - Building Loan	\$14,052	3.5%
2017 Fire Marshall Engine Loan	118,750	0%
Total	\$132,802	

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

In 2013, the District entered into a commercial promissory note, in the amount of \$120,000 with Merchants National Bank to construct a building at fire station number 2. The District agreed to repay this note through equal semi-annual payments in the amount of \$7,218, over 10 years, with payments ending in October 2022.

In 2017, the District obtained a non-interest bearing loan, in amount of \$190,000 from the Small Government Fire Department Services Revolving Loan Program Fund to purchase a 2017 Rosenbauer Engine and equipment. The District agreed to repay this loan through equal quarterly payment in amount of \$4,750, over 10 years, with payments ending in July 2027

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

Year Ending December 31:	2013 Merchants National Bank Building Loan	2017 Fire Marshall Engine
2022	\$14,436	\$28,500
2023	0	19,000
2024	0	19,000
2025	0	19,000
2026	0	19,000
2027-2030	0	14,250
Total	<u>\$14,436</u>	<u>\$118,750</u>

Contrary to debt payment covenant requirements, the District did not make all the required payments on the 2017 Fire Marshal Engine Loan. As of December 31, 2021, the District had \$9,500 in outstanding payments.

Note 11 –Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the District had no encumbrances. The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, Federal Emergency Management Agency, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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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 of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Southern Highland Joint Fire District, Highland County, (the Fire District) and have issued our report thereon dated February 12, 2024, wherein we noted the Fire District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Fire District.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fire District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2022-003 and 2022-004.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
February 12, 2024

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 and 2021**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2022-001

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.

Due to deficiencies in the Fire District's financial statement and footnote monitoring and review process, the following conditions were noted in relation to the Fire District's 2022 financial statements and footnote disclosures:

General Fund – Financial Statements:

- Principal Retirement was understated by \$23,552, Interest and Fiscal Charges were understated by \$384, General Government was overstated by \$14,436 and Public Safety was overstated by \$9,500 due to Debt Payments not being properly recorded.
- Sale of Capital Assets were understated and Miscellaneous Receipts were overstated by \$21,700.

General Fund – Footnotes:

The District failed to include required budgetary disclosures resulting in the following:

- Budgetary Receipts were understated by \$160,028.
- Appropriation Authority Expenditures were understated by \$247,747.
- Actual Receipts were understated by \$207,936.
- Actual Budgetary Expenditures were understated by \$167,236.

Special Revenue Funds – Financial Statements:

- Principal Retirement was understated by \$14,434, Interest and Fiscal Charges were understated by \$3,056, and Capital Outlay was overstated by \$17,490 due to Debt Payments not being properly recorded.
- Loan Proceeds and Capital Outlay were understated by \$221,053 due to unrecorded debt proceeds.

Special Revenue Funds – Footnotes:

The District failed to include required budgetary disclosures resulting in the following:

- Budgetary Receipts were understated by \$50,000.
- Appropriation Authority Expenditures were understated by \$117,642.
- Actual Receipts were understated by \$244,837.

**FINDING NUMBER 2022-001
(Continued)**

- Actual Budgetary Expenditures were understated by \$284,161.

Capital Projects Funds – Footnotes

The District failed to include required budgetary disclosures resulting in the following:

- Appropriation Authority Expenditures were understated by \$7,727.

Due to deficiencies in the Fire District's financial statement and footnote monitoring and review process, the following conditions were noted in relation to the Fire District's 2021 financial statements and footnote disclosures:

General Fund – Financial Statements:

- Intergovernmental Receipts were overstated by \$84,816 and Capital Outlay Disbursements were overstated by \$92,095 and Cash Fund Balances were understated by \$7,279 due to FEMA grant fund being established but not used to fully account for grant activity including on-behalf of payments.
- Principal Retirement was understated by \$23,075, Interest and Fiscal Charges were understated by \$861, and General Government was overstated by \$23,936, due to Debt Payments not being properly recorded.

General Fund – Footnotes:

The District failed to include required budgetary disclosures resulting in the following:

- Budgetary Receipts were understated by \$163,692.
- Appropriation Authority Expenditures were understated by \$231,591.
- Actual Receipts were understated by \$172,488.
- Actual Budgetary Expenditures were understated by \$146,400.

Special Revenue Funds – Financial Statements:

- Intergovernmental Receipts were understated by \$86,316 and Capital Outlay Disbursements were understated by \$93,595 and Cash Fund Balance was overstated by \$7,279 in the FEMA Special Revenue Fund due to FEMA grant fund being established but not used to fully account for grant activity including on-behalf of payments.

Special Revenue Funds – Footnotes:

The District also failed to include required budgetary disclosures resulting in the following:

- Budgetary Receipts were understated by \$45,000.
- Appropriation Authority Expenditures were understated by \$188,436.
- Actual Receipts were understated by \$134,569.
- Actual Budgetary Expenditures were understated by \$123,036.

FINDING NUMBER 2022-001
(Continued)

Capital Projects Funds – Footnotes

The District failed to include required budgetary disclosures resulting in the following:

- Appropriation Authority Expenditures were understated by \$8,500.
- Actual Budgetary Expenditures were understated by \$773.

The Fire District corrected the financial statements and their accounting system, where applicable, for all identified errors. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$1,011 to \$5,997 that the Fire District also corrected.

Finally, the Fire District corrected omitted budgetary disclosures in the footnotes.

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

The Fire District should review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

We did not receive a response from the Fire District.

FINDING NUMBER 2022-002

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

The Fire District used Medical Claims Assistance (MCA) during the audit period as a third-party administrator for billing purposes. Each squad enters their Emergency Medical Services (EMS) runs into the Run Reporting System and the files are then uploaded to MCA.

Due to deficiencies in the Fire District's reconciliation, monitoring and review process, the following conditions were noted:

- The Fire District did not obtain a report of collections from the third-party administrator. EMS receipts were directly deposited into the Fire District's bank account without any information to identify the billed party. A reconciliation of the EMS receipts directly deposited in the Fire District's bank account from MCA were not completed.

FINDING NUMBER 2022-002
(Continued)

- Collection reports were received from MCA, however, a reconciliation of run reports prepared by the EMS personnel was not being reconciled to the billing reports from MCA to ensure that the proper rate was being charged. The Fire District did not maintain sufficient documentation for determining when receipts were received by the Fire District, resulting in the inability to determine if receipts were being timely deposited.
- The Fire District did not post EMS receipts timely. EMS receipts were direct deposited into the Fire District's checking account several times a month, however receipts were posted to the Fire District's accounting system once a month. This resulted in the following timely recording deficiencies:
 - 7 out of 7 (100%) EMS receipts tested in 2022, were not posted to the accounting system timely ranging from 27 to 45 days.
 - 9 out of 9 (100%) Charges for Services receipts tested in 2021, were not posted to the accounting system timely ranging from 26 to 49 days.

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.

The Fire District should establish the following procedures to help ensure accurate and timely billing, recording, and tracking of EMS run activity:

- The Fire 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 Fire District should reconcile MCA reports to Fire District run records and notify the third-party billing service of any errors, omissions, or discrepancies in a timely manner.
- The Fire District should establish controls to ensure that all receipt information is maintained in a manner that would provide all information.
- The Fire District should timely post EMS receipts to the Fire District's accounting system when they are received.

Officials' Response:

We did not receive a response from the Fire District.

FINDING NUMBER 2022-003

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

FINDING NUMBER 2022-003
(Continued)

At December 31, 2022 the Fire District's appropriations exceeded the amount certified as available by the budget commission in the 2281 Ambulance EMS Service by \$225,000.

At December 31, 2021 the Fire District's appropriations exceeded the amount certified as available by the budget commission in 2902 FEMA fund by \$93,595.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Fire District's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Fire District should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Fire District should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board to reduce the appropriations.

Officials' Response:

We did not receive a response from the Fire District.

FINDING NUMBER 2022-004

Noncompliance

IRS Publication 15-A states generally an employer must withhold and pay federal income tax, social security, and Medicare taxes, and pay unemployment taxes on wages paid to an employee. This is generally not the case with an independent contractor. However, to determine whether an individual is an employee or an independent contractor, under common law, the relationship of the worker and the business must be examined. Facts that provide the evidence of the degree of control and degree of independence must be considered.

The Fire District has employees that are being compensated as if they were independent contractors for various duties, including but not limited to, data entry of EMS runs. The Fire District has contracts to fill the position of volunteer firefighter. The personnel hired for this position are being paid as an independent contractor. Although the contract may demonstrate the intention of the parties, it alone does not define the type of business relationship. The Fire District has not performed an evaluation to determine if this individual should be treated as an employee or an independent contractor.

Payment of an individual as an independent contractor; instead of; as an employee results in benefits not being paid or offered and taxes not being withheld from wages. If an entity is classified as an employee rather than as an independent contractor and has no reasonable basis for doing so, they can be liable for employment taxes for that worker.

The Fire District should review the guidance noted in IRS Publication 15-A before declaring any worker as an employee or independent contractor upon soliciting their services. In the event that such worker is considered an independent contractor, the Fire District should have evidence to support the determination in line with the criteria as defined in the IRS Publication 15-A.

This matter will be referred to the Internal Revenue Service, Ohio Department of Taxation, Bureau of Workers' Compensation and Ohio Office of Unemployment Compensation.

Officials' Response

We did not receive a response from the Fire District.

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Southern Highland Joint Fire District

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Material Weakness – Posting Issue	Not Corrected.	Reissued as Finding 2022-001
2020-002	Material Weakness - Budgetary versus System Variances	Not Corrected	Reissued as Management Letter comment.
2020-003	Noncompliance - Expenditures exceed Appropriations	Not Corrected	Reissued as Finding 2022 - 003

OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN HIGHLAND JOINT FIRE DISTRICT

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/5/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov