
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

SHORT CREEK JOINT FIRE DISTRICT

JEFFERSON COUNTY

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2019 and 2018

6927 Burgundy Ave NW
North Canton, OH 44720
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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Short Creek Joint Fire District
P.O. Box 33
Adena, Ohio. 43901

We have reviewed the *Independent Auditor's Report* of the Short Creek Joint Fire District, Jefferson County, prepared by Alger & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Short Creek Joint Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 1, 2020

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**SHORT CREEK JOINT FIRE DISTRICT
JEFFERSON COUNTY**

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Short Creek Joint Fire District
Jefferson County
PO Box 33
Adena, Ohio. 43901

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, by fund type, and related notes of the Short Creek Joint Fire District, Jefferson County, Ohio (the District) as of and for the years ended December 31, 2019 and December 31, 2018.

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.

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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, 2019 and December 31, 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Short Creek Joint Fire District, Jefferson County as of December 31, 2019 and December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding his matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, 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.

Karen S
Alger, CPA
Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger &
Associates, Inc. ou,
email=ksalger46@att.net, c=US
Date: 2020.10.01 15:24:50 -0400'

October 1, 2020

Short Creek Joint Fire District
Jefferson County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	(Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$291,755	\$80,000	\$371,755
Charges for Services		94,812	94,812
Intergovernmental	17,304		17,304
Contract	3,539		3,539
Miscellaneous	22,856	969	23,825
<i>Total Cash Receipts</i>	<u>335,454</u>	<u>175,781</u>	<u>511,235</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries	188,861	102,780	291,641
Materials and Supplies	6,174	6,892	13,066
Equipment	43,210	10,000	53,210
Other	80,474	44,023	124,497
Capital Outlay	21,793	5,000	26,793
Debt Service:			
Principal Retirement	76,193		76,193
Interest and Fiscal Charges	3,230		3,230
<i>Total Cash Disbursements</i>	<u>419,935</u>	<u>168,695</u>	<u>588,630</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(84,481)</u>	<u>7,086</u>	<u>(77,395)</u>
Other Financing Receipts			
Proceeds of Debt	110,577		110,577
<i>Total Other Financing Receipts</i>	<u>110,577</u>	<u>-</u>	<u>110,577</u>
<i>Net Change in Fund Cash Balance</i>	26,096	7,086	33,182
<i>Fund Cash Balances, January 1</i>	<u>19,343</u>	<u>8,418</u>	<u>27,761</u>
Fund Cash Balances, December 31			
Restricted		15,504	15,504
Assigned	40,821		40,821
Unassigned	4,618		4,618
<i>Fund Cash Balances, December 31</i>	<u>\$45,439</u>	<u>\$15,504</u>	<u>\$60,943</u>

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

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Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Short Creek Joint Fire District, Jefferson County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Adena Village, Smithfield Village and Smithfield Township. 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 Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund.

Emergency Medical Services (EMS) The EMS fund receives charges for services is use to account for revenues derived from ambulance and emergency medical services fees.

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 or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investments purchases or receipts for investments sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Compliance

Contrary to Ohio law Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General fund by \$419,935 and in the Special Revenue fund by \$168,695 for the year ended December 31, 2019. Also, contrary to Ohio Rev. Code § 5705.38(A) the District did not pass an annual appropriation measure or file the budget with the County Auditor.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$446,031	\$446,031
Special Revenue	0	175,781	175,781
Total	\$0	\$621,812	\$621,812

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$419,935	(\$419,935)
Special Revenue	0	168,695	(168,695)
Total	\$0	\$588,630	(\$588,630)

Note 5 – Deposits and Investments

The District maintains a deposits 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:

Demand deposits	2019
	\$60,943

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Social Security

All 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, 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Peoples National Bank - Line of Credit Loan	\$14,787	5.50%
People National Loan - loan #7825	47,276	3.99%
Total	\$62,063	

The line of credit loan was acquired from Peoples National Bank of Mt. Pleasant on January 6, 2017 for the amount of \$50,500. The maturity date is January 6, 2021. The interest rate is 5.5%. The purpose of the loan was start-up funds for the Short Creek Joint Fire District.

The District acquired a loan from Peoples National Bank of Mt. Pleasant on August 2, 2019 for an amount of \$50,327 for the purchase of equipment with an interest rate of 3.99%. The loan will be repaid in monthly installments of \$926.73 which includes principal and interest. The loan will be repaid by August 24, 2024.

The District acquired a short-term (90) ninety day note from Peoples National Bank of Mt. Pleasant on January 31, 2019 for an amount of \$60,250 to pay encumbrances and to make payroll prior to the District’s Property Tax Levy Settlement. Once the Tax Settlement monies were received the note was paid in full along with fees and interest rate. The loan was fully paid off on July 30, 2019.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	Line of Credit	Loan #7825
2020	\$14,092	\$11,121
2021	1,174	11,121
2022		11,121
2023		11,121
2024		7,414
Total	<u>\$15,266</u>	<u>\$51,898</u>

Note 10 – Contingent Liabilities

The District was not part of any lawsuits in 2019.

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In addition, the District acquired a short-term (90) ninety day note through Consumers National Bank on February 26, 2020 for an amount of \$60,250 to pay encumbrances and to make payroll prior to the District’s Property Tax Levy Settlement. Once the Tax Settlement monies were received the note was paid in full along with fees and interest. The loan was fully paid off on April 3, 2020.

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Short Creek Joint Fire District
Jefferson County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	(Memorandum Only)
Cash Receipts			
Charges for Services		\$112,142	112,142
Intergovernmental	\$99,318	50,000	149,318
Contract	41,032		41,032
Ohio Bridge (payroll reimbursement)		102,413	102,413
Miscellaneous	23,046	695	23,741
<i>Total Cash Receipts</i>	<u>163,396</u>	<u>265,250</u>	<u>428,646</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries		215,750	215,750
Materials and Supplies	6,888	4,500	11,388
Equipment	7,317		7,317
Other	102,282	31,578	133,860
Capital Outlay	44,143	5,004	49,147
Debt Service:			
Principal Retirement	59,293		59,293
Interest and Fiscal Charges	2,884		2,884
<i>Total Cash Disbursements</i>	<u>222,807</u>	<u>256,832</u>	<u>479,639</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(59,411)</u>	<u>8,418</u>	<u>(50,993)</u>
Other Financing Receipts			
Proceeds of Debt	47,089		47,089
<i>Total Other Financing Receipts</i>	<u>47,089</u>	<u>-</u>	<u>47,089</u>
<i>Net Change in Fund Cash Balance</i>	(12,322)	8,418	(3,904)
<i>Fund Cash Balances, January 1</i>	<u>31,665</u>	<u>-</u>	<u>31,665</u>
Fund Cash Balances, December 31			
Restricted		8,418	8,418
Unassigned	19,343		19,343
<i>Fund Cash Balances, December 31</i>	<u>\$19,343</u>	<u>\$8,418</u>	<u>\$27,761</u>

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

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Short Creek Joint Fire District
Jefferson 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 Short Creek Joint Fire District, Jefferson County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Adena Village, Smithfield Village and Smithfield Township. 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 Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund.

Emergency Medical Services (EMS) The EMS fund receives charges for services is use to account for revenues derived from ambulance and emergency medical services fees.

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

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Compliance

Contrary to Ohio law Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General fund by \$222,807 and \$256,832 in the Special Revenue fund for the year ended December 31, 2018. Also, contrary to Ohio Rev. Code § 5705.38(A) the District did not pass an annual appropriation measure.

Note 4 – 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	\$0	\$210,485	\$210,485
Special Revenue	0	265,250	265,250
Total	\$0	\$475,735	\$475,735

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$222,807	(\$222,807)
Special Revenue	0	256,832	(256,832)
Total	\$0	\$479,639	(\$479,639)

Note 5 – Deposits and Investments

The District maintains a deposits 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	\$27,761

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation public monies deposited in the financial institution.

Note 6 – Risk Management

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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

All 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 – Debt

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

	Principal	Interest Rate
Peoples National Bank - Line of Credit Loan	\$27,679	5.50%
Total	\$27,679	

The line of credit loan was acquired from Peoples National Bank of Mt. Pleasant on January 6, 2017 for the amount of \$50,500. The maturity date is January 6, 2021. The interest rate is 5.5%. The purpose of the loan was start-up funds for the Short Creek Joint Fire District.

The District acquired a short-term (90) ninety day promisory note from Peoples National Bank of Mt. Pleasant on January 2, 2018 for the amount of \$47,089 for the purchase of a Chevy Tahoe with an interest rate of 5%. The loan was fully paid off on April 02, 2018.

Amortization

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

Year Ending December 31:	Line of Credit
2019	14,092
2020	14,092
2021	1,174
Total	\$29,358

Note 9 – Contingent Liabilities

The District was not part of any lawsuits in 2018.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Short Creek Joint Fire District
Jefferson County
PO Box33
Adena, Ohio. 43901

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Short Creek Joint Fire District, Jefferson County, (the District) as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated October 1, 2020 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. In addition, as disclosed in Note 11, the United States and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. The ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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 2019-001 through 2019-004 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 items 2019-001 through 2019-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen S
Alger, CPA



Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger &
Associates, Inc. ou,
email=ksalger46@att.net, c=US
Date: 2020.10.01 15:25:21 -0400

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

October 1, 2020

Short Creek Joint Fire District
Jefferson County
Schedule of Findings
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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FINDING NUMBER 2019-001

Noncompliance/Material Weakness – Budget Filing

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2019 and 2018 disbursements exceeded appropriations. In 2019, disbursements exceeded appropriations in the General Fund in the amounts of \$419,935 and in the Special Revenue by \$168,695, respectively, or 100% of appropriations. In 2018, disbursements exceeded appropriations in the General Fund in the amounts of \$222,807 and in the Special Revenue by \$256,832, respectively, or 100% of appropriations.

The District did not create and pass a budget in 2018 and not file the 2019 budget with the County Auditor. Also, the District did not have a policy or procedures in place to review this information to help ensure compliance. Failure to have a policy in place and monitor appropriations could result in overspending and negative fund balances.

In addition, **Ohio Rev. Code § 5705.36** states that on or about the first day of each fiscal year, the Fiscal Officer of a subdivision is to certify to the County Auditor the total amount from all sources which is available for expenditures and the balances from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request Trustees to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

The District should implement controls to help ensure the Board passes an annual appropriation measure by the required date. The Board should consider approving temporary appropriations if they are not able to approve the annual appropriations prior to the required date. The District should create a method to compare budgeted information as approved by the Trustees to actual information, either within the accounting system or manually. Also, the Fiscal Officer should certify to the County Auditor the total amount from all sources to establish limits for Trustees approved appropriations. A copy of the form filed with the County Auditor should be maintained on file with the District

FINDING NUMBER 2019-002

Noncompliance/Material Weakness – Annual Appropriation Measures

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Admin. Code § 117-2-02(C)(1) also states in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

A review of the District's budgets and accounting system identified the following:

- The District failed to create and pass a budget in 2018;
- The District failed to file the budget with the County Auditor after the Board had pass the Budget in 2019; and
- The District's Quickbooks accounting system does not allow the District to enter budgeted receipts and appropriations

Because the District did not document create and approve the 2018 appropriations budget and did not file 2019 appropriations budget with the County Auditor, all expenditures exceeded appropriations for both years.

Failure to approve a budget by the required date could result in excess spending and a negative fund balance.

Short Creek Joint Fire District
Jefferson County
Schedule of Findings
December 31, 2019 and 2018

FINDING NUMBER 2019-003

Noncompliance/Material Weakness – Accurate Posting of Transactions

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

All receipts/disbursements should be properly classified as to the type of receipt/disbursement based on its source and purpose.

The District recorded several transactions incorrectly. The District had two Fiscal Officers in 2018 and a third Fiscal Officer in 2019 for the audit period. Incorrect postings identified included the following:

2018 Incorrect postings resulting in financial statement reclassifications:

- The prior Fiscal Officers posted the interest payments for the two loans in the amount of \$2,884 improperly to Principal Retirement account rather than Interest & Fiscal Charges. A reclassification was made to the financial statements.
- The prior Fiscal Officers posted Capital expenditures for the purchase of a Tahoe in the amount of \$49,147 improperly to the Equipment account rather than Capital Outlay. A reclassification was made to the financial statements.
- The prior Fiscal Officers posted the loan proceeds in the amount of \$47,089 improperly to Other Financing Sources revenue account rather than Proceeds of Debt revenue account. A reclassification was made to the financial statements.
- The District did not receive levy taxes in 2018. However, levy money in the amount of \$94,130 sent to the District from Village of Adena, Village of Smithfield and Smithfield Township was improperly posted to the Property and Other Local Taxes revenue account rather than Intergovernmental revenue account by the prior Fiscal Officers. A reclassification was made to the financial statements.
- Contract payment made by Smithfield Township in the amount of \$18,573 was improperly posted to the Property and Other Local Taxes revenue account rather than Contract revenue account by the prior Fiscal Officers. A reclassification was made to the financial statements.
- Smithfield Fire Protection fee in the amount of \$441 was improperly posted to the Charges for Services revenue account rather than Contract revenue account by the prior Fiscal Officers. A reclassification was made to the financial statements.
- BWC reimbursement payment in the amount of \$374 was improperly posted to the Charges for Services revenue account rather than Contract revenue account by the prior Fiscal Officers. A reclassification was made to the financial statements.

2018 Incorrect postings resulting in financial statement adjustment:

- The prior Fiscal Officer posted all EMS receipts and disbursements transactions associated with this service in the General Fund; therefore, totaling \$265,250 in revenue and \$256,832 in disbursements overstating both revenues and expenditures in the General Fund and understating the Special Revenue Fund. The 2018 financial statements reflected properly the transaction; therefore, an adjustment was made in the 2018 financial statements.

Short Creek Joint Fire District
Jefferson County
Schedule of Findings
December 31, 2019 and 2018

FINDING NUMBER 2019-003 *(continued)*

2019 Incorrect postings resulting in financial statement reclassifications:

- The current Fiscal Officer posted interest and fiscal charges in the amount of \$3,230 payments for the three loans payments improperly to Principal Retirement account rather than Interest & Fiscal Charges. A reclassification was made to the financial statements.
- Capital expenditures for the purchase of three vehicles in the amount of \$26,793 were improperly posted to the Equipment account rather than Capital Outlay by the current Fiscal Officer. A reclassification was made to the financial statements.
- The current Fiscal Officer posted the loan proceeds in the amount of \$110,577 improperly to Other Financing Sources revenue account at net rather than Proceeds of Debt revenue account at gross. A reclassification was made to the financial statements.
- A receipt in the amount of \$4,381 was improperly posted to the Property and Other Local Taxes revenue account rather than Intergovernmental revenue account by the current Fiscal Officer. A reclassification was made to the financial statements.
- Dividend refund in the amount of \$11,177 was improperly posted to the Intergovernmental revenue account rather than Contract revenue account by the current Fiscal Officer. A reclassification was made to the financial statements.

2019 Incorrect postings resulting in financial statement adjustment:

- The current Fiscal Officer posted all EMS receipts and disbursements transactions associated with this service in the General Fund; therefore, totaling \$175,781 in revenue and \$168,695 in disbursements overstating both revenues and expenditures in the General Fund and understating the Special Revenue Fund. The 2019 financial statements reflected properly the transaction; therefore, an adjustment was made in the 2019 financial statements.

The District did not have procedures in place to record transactions properly. Failure to consistently properly post all transactions increases the possibility the District will not be able to identify, assemble, analyze, classify record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure that financial activity of the District is accurately recorded and reported. In addition, the District should review the financial statements and notes prior to report submission.

FINDING NUMBER 2019-004

Material Weakness – Cash Reconciliation Process Errors

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.

The reconciliation of cash (bank) balances to the accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Short Creek Joint Fire District
Jefferson County
Schedule of Findings
December 31, 2019 and 2018

FINDING NUMBER 2019-004 *(continued)*

The District utilizes Quickbooks for their accounting software. During our review of the reconciliations, Profit and Loss statements and financial statements for the audit period we identified the following:

- The prior Fiscal Officers did not properly reconcile the Quickbooks with the bank for 2018 which ultimately affected 2019.
- The bank balances did not agree with the profit and loss statements which also did not agree with the financial statement's balances.
- We noted several transactions not posted to the system
- We also noted that some of the transaction posted were improperly posted.
- The ending balances on the financial statements presented for the audit did not tie to the beginning balances of the succeeding year.
- The beginning balances for the audit period did not agree to the prior audited financial statements.

The current Fiscal Officer along with the help from an outside party was able to reconstruct the financial transactions for the district in order to reconcile the books with the bank and provide an updated set of financial statements for the audit period.

Failure to reconcile monthly increases the possibility the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

QuickBooks was not set up as a fund accounting system which includes the appropriate built in controls. The District may want to consider utilizing a system setup for fund accounting which would help to separate their funds into a General Fund and Special Revenue Fund along with establishing budgetary accounts such as the UAN system provided by the Auditor of State's Office. There are other fund accounting systems available, however, the current system does not properly account for the types of transactions the District utilizes.

By implementing these recommendations this will help eliminate the possibility of errors and irregularities from occurring. This will also provide the Board with more accurate financial information for their decision-making process.

Short Creek Joint Fire District
Jefferson County
Schedule of Prior Audit Findings
December 31, 2019 and 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Noncompliance/Material Weakness: ORC §5705.41 (B) expenditures exceed appropriations.	No	Not corrected. Repeated as 2019-001
2017-002	Noncompliance/Material Weakness: ORC §5705.38 (A) filing of annual appropriation measure.	No	Not corrected. Repeated as 2019-002
2017-003	Material Weakness: Accurate posting of transactions.	No	Not corrected. Repeated as 2019-003
2017-004	Significant Deficiency: Cash reconciliation process errors	No	Not corrected. Repeated as 2019-004

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OHIO AUDITOR OF STATE KEITH FABER



SHORT CREEK JOINT FIRE DISTRICT

JEFFERSON 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 12/15/2020

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