



OHIO AUDITOR OF STATE
KEITH FABER



HOLMES FIRE DISTRICT #1
HOLMES COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Holmes Fire District #1
Holmes County
8478 State Route 39
Millersburg, Ohio 44654

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 Holmes Fire District #1, Holmes County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each governmental combined total as of and for the years ended December 31, 2023 and 2022, 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 type combined total as of and for the years ended December 31, 2023 and 2022, 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 District, as of December 31, 2023 and 2022, 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 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 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.

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 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 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 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 October 15, 2024, 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. 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 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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 15, 2024

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HOLMES FIRE DISTRICT #1
Holmes County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023

	All Fund Types			Combined Total
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$435,456	\$814,768	\$0	\$1,250,224
Charges for Services	314,298	0	0	314,298
Intergovernmental	178,671	36,747	0	215,418
Earnings on Investments	30,613	0	0	30,613
Miscellaneous	23,367	0	0	23,367
<i>Total Cash Receipts</i>	<u>982,405</u>	<u>851,515</u>	<u>0</u>	<u>1,833,920</u>
Cash Disbursements				
Current Disbursements:				
General Government	171,228	16,790	0	188,018
Public Safety	328,656	976,017	0	1,304,673
Capital Outlay	130,618	0	0	130,618
<i>Total Cash Disbursements</i>	<u>630,502</u>	<u>992,807</u>	<u>0</u>	<u>1,623,309</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>351,903</u>	<u>(141,292)</u>	<u>0</u>	<u>210,611</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(170)	0	0	(170)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(170)</u>	<u>0</u>	<u>0</u>	<u>(170)</u>
<i>Net Change in Fund Cash Balance</i>	351,733	(141,292)	0	210,441
<i>Fund Cash Balances, January 1</i>	<u>1,507,834</u>	<u>522,968</u>	<u>8,712</u>	<u>2,039,514</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,859,567</u>	<u>\$381,676</u>	<u>\$8,712</u>	<u>\$2,249,955</u>

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. Reporting Entity

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Holmes Fire District #1, Holmes County, (the District) as a body corporate and politic. The District is directed by appointed representatives from four political subdivisions consisting of the Village of Millersburg, Hardy Township, Mechanic Township, and Monroe Township. The Board of Trustees consists of five members, one member from each subdivision and one member at large whose appointment is made by one individual subdivision within the District on a yearly rotational basis. The principal purpose of the District is to pool mutual resources and abilities of the member subdivisions and thereby provide the subdivisions adequate and responsible fire protection and emergency medical services.

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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 District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

B. Deposits

The District maintains all cash in an interest bearing checking account and a savings account.

C. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Fire Levy Fund – This fund accounts for the tax proceeds of a special operating levy used to provide fire protection and emergency medical service to the participating Townships and Village.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 (Continued)**

2. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

Fire Levy Fund – Personnel – This fund accounts for the tax proceeds of a special operating Levy used to provide fire protection and emergency medical service to the participating Townships and Village. This levy is designated for personnel.

3. Capital Projects Fund

These funds account for proceeds from the Charlotte Ann Calhoun Trust to be known as and set aside as “The Chester D. Calhoun Family Memorial Bequest”. All distributions are to be used by the fire district for some major purpose or capital improvement and not for ordinary day-to-day expenses.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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 2023 budgetary activity appears in Note 4.

E. Fund Balance

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

The classifications are as follows:

1. Nonspendable

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 (Continued)**

2. Restricted

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

3. Committed

Fire District Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Fire 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.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 (Continued)**

3. Equity in Pooled Deposits

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

	2023
Demand deposits	\$757,697
Other time deposits (savings and NOW accounts)	1,492,258
Total deposits	2,249,955

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

4. Budgetary Activity

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$820,000	\$982,405	\$162,405
Special Revenue	799,600	851,515	51,915
Total	\$1,619,600	\$1,833,920	\$214,320

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,253,495	\$630,672	\$622,823
Special Revenue	1,119,600	992,807	126,793
Total	\$2,373,095	\$1,623,479	\$749,616

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 February 2023. If the property owner elects to pay semiannually, the first half is due February 2023. The second half payment is due the following July. 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.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 (Continued)**

6. Defined Benefit Pension Plan

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

The Ohio Revised Code also prescribes contribution rates. For 2023, participant's contribution was paid through a pension pick-up plan in the amount of 12.25% of their wages. For 2023, the District contributed to OP&F an amount equal to 24% of full-time fire members' wages. For 2023, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, respectively, if participants' gross salaries. The District has paid all contributions required through December 31, 2023.

All employees not otherwise covered by OPERS and OP&F System pay into social security. This plan provides retirement benefits, including survivor and disability benefits to participants. For fiscal year 2023, part-time firefighters and EMS personnel paid into social security. 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, 2023.

7. Post Employment Benefits

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits

8. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:
Comprehensive property and general liability;
Vehicles; and Errors and omissions.

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.

There has been no reduction in coverage and claims have not exceeded coverage.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 (Continued)**

9. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, 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.

10. Fund Balance

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. 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 there were no outstanding encumbrances.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would include any outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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HOLMES FIRE DISTRICT #1
Holmes 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	\$418,602	\$784,097	\$0	\$1,202,699
Charges for Services	326,046	0	0	326,046
Intergovernmental	70,789	37,800	0	108,589
Earnings on Investments	7,313	0	0	7,313
Miscellaneous	17,970	0	0	17,970
<i>Total Cash Receipts</i>	<u>840,720</u>	<u>821,897</u>	<u>0</u>	<u>1,662,617</u>
Cash Disbursements				
Current Disbursements:				
General Government	189,589	17,767	0	207,356
Public Safety	390,172	912,442	0	1,302,614
Capital Outlay	23,666	0	0	23,666
<i>Total Cash Disbursements</i>	<u>603,427</u>	<u>930,209</u>	<u>0</u>	<u>1,533,636</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>237,293</u>	<u>(108,312)</u>	<u>0</u>	<u>128,981</u>
Other Financing Receipts (Disbursements)				
Sale of Capitals Assets	750	0	0	750
Other Financing Uses	(197)	0	0	(197)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>553</u>	<u>0</u>	<u>0</u>	<u>553</u>
<i>Net Change in Fund Cash Balance</i>	237,846	(108,312)	0	129,534
<i>Fund Cash Balances, January 1</i>	<u>1,269,988</u>	<u>631,280</u>	<u>8,712</u>	<u>1,909,980</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,507,834</u></u>	<u><u>\$522,968</u></u>	<u><u>\$8,712</u></u>	<u><u>\$2,039,514</u></u>

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. Reporting Entity

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Holmes Fire District #1, Holmes County, (the District) as a body corporate and politic. The District is directed by appointed representatives from four political subdivisions consisting of the Village of Millersburg, Hardy Township, Mechanic Township, and Monroe Township. The Board of Trustees consists of five members, one member from each subdivision and one member at large whose appointment is made by one individual subdivision within the District on a yearly rotational basis. The principal purpose of the District is to pool mutual resources and abilities of the member subdivisions and thereby provide the subdivisions adequate and responsible fire protection and emergency medical services.

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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 District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

B. Deposits

The District maintains all cash in an interest bearing checking account and a savings account.

C. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Fire Levy Fund – This fund accounts for the tax proceeds of a special operating levy used to provide fire protection and emergency medical service to the participating Townships and Village.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 (Continued)**

2. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

Fire Levy Fund – Personnel – This fund accounts for the tax proceeds of a special operating Levy used to provide fire protection and emergency medical service to the participating Townships and Village. This levy is designated for personnel.

3. Capital Projects Fund

These funds account for proceeds from the Charlotte Ann Calhoun Trust to be known as and set aside as “The Chester D. Calhoun Family Memorial Bequest”. All distributions are to be used by the fire district for some major purpose or capital improvement and not for ordinary day-to-day expenses.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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.

E. Fund Balance

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

The classifications are as follows:

1. Nonspendable

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 (Continued)**

2. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

2. Restricted

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

3. Committed

Fire District Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Fire 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.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 (Continued)**

3. Equity in Pooled Deposits

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

	2022
Demand deposits	\$576,450
Other time deposits (savings and NOW accounts)	1,463,064
Total deposits	2,039,514

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

4. Budgetary Activity

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$765,100	\$841,470	\$76,370
Special Revenue	784,700	821,897	37,197
Total	\$1,549,800	\$1,663,367	\$113,567

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,147,350	\$603,624	\$543,726
Special Revenue	1,043,500	930,209	113,291
Total	\$2,190,850	\$1,533,833	\$657,017

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 February 2022. If the property owner elects to pay semiannually, the first half is due February 2022. The second half payment is due the following July. 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.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 (Continued)**

6. Defined Benefit Pension Plan

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

The Ohio Revised Code also prescribes contribution rates. For 2022, participant's contribution was paid through a pension pick-up plan in the amount of 12.25% of their wages. For 2022, the District contributed to OP&F an amount equal to 24% of full-time fire members' wages. For 2022, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, respectively, if participants' gross salaries. The District has paid all contributions required through December 31, 2022.

All employees not otherwise covered by OPERS and OP&F System pay into social security. This plan provides retirement benefits, including survivor and disability benefits to participants. For fiscal year 2022, part-time firefighters and EMS personnel paid into social security. 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.

7. Post Employment Benefits

Both OP&F and 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. OP&F contributes 0.5 percent of the employer contribution to fund these benefits. 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.

OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to see reimbursement for plan premiums and other qualified medical expenses.

8. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:
Comprehensive property and general liability;
Vehicles; and Errors and omissions.

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.

There has been no reduction in coverage and claims have not exceeded coverage.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 (Continued)**

9. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, 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.

10. Fund Balance

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. 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 there were no outstanding encumbrances.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would include any outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
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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

Holmes Fire District #1
Holmes County
8478 State Route 39
Millersburg, Ohio 44654

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, 2023 and 2022 and the related notes to the financial statements of the Holmes Fire District #1, Holmes County, (the District) and have issued our report thereon dated October 15, 2024, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 2023-001 and 2023-002 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2023-002.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 15, 2024

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001

Financial Statement Presentation – 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.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present internal control system is not sufficient and lacks fiscal oversight, failing to meet the responsibilities noted above. As a result, the following misstatements, that required adjustment and to which management agreed, for the December 31, 2022 and 2023 financial statements were identified during the audit and reflected in the accompanying financial statements and notes:

- In 2022 and 2023, the General Fund property tax receipts were overstated by \$44,389 and \$21,997 respectively, with intergovernmental receipts understated by the same amount for each respective year.
- In 2022 and 2023, the Special Levy Fire/EMS Fund property tax receipts were overstated by \$30,987 and \$15,359, respectively, with intergovernmental receipts understated by the same amount for each respective year.
- In 2022 and 2023, the Special Levy- Personnel Fund property tax receipts were overstated by \$6,813 and \$2,684, respectively, with intergovernmental receipts understated by the same amount for each respective year.
- In 2022, General Fund miscellaneous receipts was overstated by \$10,121 and salaries expenditures were overstated by \$182. In 2023, General Fund miscellaneous receipts was overstated by \$19,264 and salaries expenditures were overstated by \$477. We noted the District reimbursed the General Fund for employee portion of health insurance that was paid. However, the General Fund did not always make the payment for the employee portion. Therefore, these amounts were adjusted to reduce the receipts and expenditures related to each year in the General Fund.
- In 2022, Special Levy Fire/EMS Fund and Special Levy-Personnel Fund were overstated by \$6,116 and \$3,823, respectively. In 2023, Special Levy Fire/EMS Fund and the Special Levy-Personnel Fund were overstated by \$11,330 and \$7,457, respectively. We noted the District reimbursed the General Fund for employee portion of health insurance that was paid. However, the General Fund did not always make the payment for the employee portion. Therefore, these amounts were adjusted to reduce the expenditures related to each year in the two Special Revenue Funds.
- We also noted the footnotes to the December 31, 2023 and December 31, 2022 financial statements did not report accurate amounts with the Equity in Pooled Deposits note disclosure and did not include note disclosures related to Workers' Compensation, post-employment benefits or fund balance in accordance with Auditor of State Bulletin 2020-008.

Lack or failure of controls in place over financial reporting and oversight can result in errors that may go undetected and decreases the reliability of financial statements prepared at year end.

The District should develop and implement additional procedures to help provide assurance over the completeness and accuracy of information reported within the financial statements and note disclosures. Such procedures may include additional reviews of the financial statements and the note disclosures by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

**HOLMES FIRE DISTRICT #1
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022
(continued)**

Officials' Response: Note taken, will make corrections effective 10/1/2024. Michele Gerber, Fiscal Officer.

FINDING NUMBER 2023-002

Non-compliance/Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The District's internal control procedures were not sufficient to help ensure activity was recorded in the proper funds. As a result, the District inaccurately recorded \$15,364 and \$2,644 of intergovernmental receipts in the General Fund on the December 31, 2023 financial statements. Given the source of the receipts, these amounts should have been recorded in the Special Levy Fire/EMS and Special Levy - Personnel funds, respectively. Audit adjustments, as agreed to by management, are reflected on the December 31, 2023 financial statement and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should develop and implement controls to help ensure all transactions are recorded and reviewed to help ensure posting to the proper funds.

Officials' Response: Corrections will be made. Michele Gerber, Fiscal Officer.

OHIO AUDITOR OF STATE KEITH FABER



HOLMES FIRE DISTRICT #1

HOLMES 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 11/12/2024

65 East State 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