



Dave Yost • Auditor of State

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Southern Highland Joint Fire District, Highland County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015 .

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.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The District has outsourced emergency medical service (EMS) billing and collection to a third party administrator. The financial statements report EMS charges for services in the fire special revenue fund. The third party administrator did not provide the District with information regarding the design or proper operation of its internal controls for 2016 and 2015. We are therefore unable to satisfy ourselves as to the proper EMS billing and collection and could not satisfy ourselves as to the completeness of the billing and collection through additional substantive procedures. These EMS charges for services represent 100% of the 2016 and 2015 special revenue fund receipts.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the District as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio
March 5, 2018

Southern Highland Joint Fire District
Highland County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Project	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$143,999			\$143,999
Charges for Services		\$12,471		12,471
Intergovernmental	11,879			11,879
Miscellaneous	1,885			1,885
<i>Total Cash Receipts</i>	<u>157,763</u>	<u>12,471</u>		<u>170,234</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property:				
General Government	4,637			4,637
Public Safety	96,585	23,993		120,578
Capital Outlay	64,140	14,471	3,254	81,865
Debt Service:				
Principal Retirement	20,877			20,877
Interest and Fiscal Charges	3,059			3,059
<i>Total Cash Disbursements</i>	<u>189,298</u>	<u>38,464</u>	<u>3,254</u>	<u>231,016</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(31,535)</u>	<u>(25,993)</u>	<u>(3,254)</u>	<u>(60,782)</u>
Other Financing Receipts (Disbursements)				
Sale of Capitals Assets	7,200			7,200
<i>Total Other Financing Receipts (Disbursements)</i>	<u>7,200</u>			<u>7,200</u>
<i>Net Change in Fund Cash Balance</i>	(24,335)	(25,993)	(3,254)	(53,582)
<i>Fund Cash Balances, January 1</i>	<u>140,748</u>	<u>77,122</u>	<u>12,500</u>	<u>230,370</u>
Fund Cash Balances, December 31				
Restricted		51,129	9,246	60,375
Unassigned (Deficit)	116,413			116,413
<i>Fund Cash Balances, December 31</i>	<u>\$116,413</u>	<u>\$51,129</u>	<u>\$9,246</u>	<u>\$176,788</u>

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

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**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

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

Capital Project Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project fund:

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

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).

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (except certain agency funds) 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.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the General fund, Fire Fund and Permanent Improvement Fund for the year ended December 31, 2016.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,540	\$164,963	\$22,423
Special Revenue	37,541	12,471	(25,070)
Capital Projects			0
Total	\$180,081	\$177,434	(\$2,647)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$189,298	(\$189,298)
Special Revenue	0	38,464	(38,464)
Capital Projects	0	3,254	(3,254)
Total	\$0	\$231,016	(\$231,016)

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$176,788

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 7 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

One of the District's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Loan	\$77,414	3.50%
Tanker Trucks Loan	23,750	0%
Total	<u>\$101,164</u>	

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

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

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (Continued)

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

<u>Building Loan</u>	<u>Tanker Trucks</u>
\$14,436	\$9,500
\$14,436	9,500
\$14,436	4,750
\$43,306	0
<u>\$86,614</u>	<u>\$23,750</u>

Southern Highland Joint Fire District
Highland County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Project	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$146,553			\$146,553
Charges for Services		33,507		33,507
Intergovernmental		4,750		4,750
Miscellaneous	833			833
<i>Total Cash Receipts</i>	<u>147,386</u>	<u>38,257</u>		<u>185,643</u>
Cash Disbursements				
Current Disbursements:				
Security of Persons and Property:				
General Government	17,148			17,148
Public Safety	83,863	28,426		112,289
Capital Outlay	33,795			33,795
Debt Service:				
Principal Retirement	20,483			20,483
Interest and Fiscal Charges	3,453			3,453
<i>Total Cash Disbursements</i>	<u>158,742</u>	<u>28,426</u>		<u>187,168</u>
<i>Net Change in Fund Cash Balance</i>	(11,356)	9,831		(1,525)
<i>Fund Cash Balances, January 1</i>	<u>152,104</u>	<u>67,291</u>	<u>12,500</u>	<u>231,895</u>
Fund Cash Balances, December 31				
Restricted		77,122	12,500	89,622
Unassigned (Deficit)	140,748			140,748
<i>Fund Cash Balances, December 31</i>	<u>\$140,748</u>	<u>\$77,122</u>	<u>\$12,500</u>	<u>\$230,370</u>

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

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**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

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

Capital Project Fund This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project fund:

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

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).

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (except certain agency funds 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.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$73,628 for the year ended December 31, 2015.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,950	\$147,386	\$7,436
Special Revenue	40,000	38,257	(1,743)
Capital Projects			0
Total	\$179,950	\$185,643	\$5,693

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,114	\$158,742	(\$73,628)
Special Revenue	45,000	28,426	16,574
Capital Projects	12,500	0	12,500
Total	\$142,614	\$187,168	(\$44,554)

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 5 – Deposits and Investments

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

	<u>2015</u>
Demand deposits	\$230,370

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 7 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

One of the District’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants’ gross salaries. The District has paid all contributions required through December 31, 2015.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2.0 percent during calendar year 2015.

Note 10 – Debt

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Building Loan	\$88,790	3.50%
Tanker Trucks Loan	33,250	0%
Total	\$122,040	

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

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

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

Year Ending	Building Loan	Tanker Trucks
December 31:		
2016	\$14,436	\$9,500
2017	\$14,436	9,500
2018	\$14,436	9,500
2019-2022	\$57,742	4,750
Total	\$101,050	\$33,250

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Dave Yost • Auditor of State

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

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

To the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Southern Highland Joint Fire District, Highland County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We modified our opinion on the financial statements because the District's third party administrator did not provide the District with information regarding the emergency medical services (EMS) billing and collections reported in the District's Special Revenue Fund and we were unable to satisfy ourselves as to the completeness of the billing and collection.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider finding 2016-001 and 2016-003 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 5, 2018

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2016-001

Material Weakness

The District has delegated its emergency medical services (EMS) billing and collection activity, which is a significant accounting function, to a third-party administrator. In 2015 the District utilized Medico, however during the last few months of 2015 and 2016, the District contracted with ABN for the EMS billing and collection activity. A Statement on Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16) Report was not obtained for ABN.

The District has not established procedures to reasonably determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that EMS billing and collection activity has not been completely and accurately processed for the period.

The third party administrator did not provide the District with the information regarding the design or proper operation of its internal controls for the period. We were unable to obtain sufficient audit evidence supporting completeness and accuracy of the amounts recorded as charges for services revenue in the EMS fund, as a result, we have modified our opinion.

The District should implement procedures to reasonably assure the completeness of EMS activity processed by ABN. SSAE No 16, prescribes standards for reporting on service organizations. An unmodified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the District with reasonable assurance that billing and collection of EMS are being processed in accordance with their contract.

Where alternative procedures cannot be performed to meet objectives, we recommend the District specify in contracts with their service organizations that an annual Type Two Service Organization Report (SOC) 1 audit be performed. The District should be provided a copy of the Type Two SOC 1 report timely and should review the report's content. A Type Two SOC 1 audit report should be conducted in accordance with the American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. We recommend you only contract with a service organization that will provide you with such a report.

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

The following control deficiencies related to EMS receipts were identified during testing:

- The District did not perform a reconciliation of the EMS receipts directly deposited in the District's bank account. The District did not receive a report of collections. EMS receipts were directly deposited into the District's bank account without any information to identify the billing party.
- The District did not post EMS receipts timely. EMS receipts were direct deposited into the District's checking account several times a month, however receipts were posted to the District's accounting system once a month.
- Runs were not reconciled to any reports provided by the third party billing service.

**FINDING 2016-001
(Continued)**

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

- The Fire Chief should verify that all runs have been completely and accurately entered into the database using available run reports.
- The District should obtain collection reports from the third party billing service and reconcile the EMS direct deposit amounts received to the collection reports. Any noted variances should be investigated.
- The District should post EMS receipts to the District's accounting system when they are received.

Officials' Response:

Correspondence was made with the billing company several times over the year and half that the fire district had ABN as the billing company. The District was getting no action on getting the reports needed and contacted the Legal representation for the fire district. In response the legal representation did contact the billing company. After which the fire district was advised by the billing company that their system was not billing the runs properly. All bills were then sent to insurance companies and the district has started collecting on the bills for 2015-2016. The District did fire ABN and now has a new billing company and receives reports on a monthly basis.

FINDING 2016-002

Noncompliance Citation

Ohio Rev. Code Section 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.

Ohio Rev. Code Section 5705.39 requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Although the District documented approval of the annual appropriations in the minutes, the District did not file the 2016 appropriation measure with the county auditor and therefore the appropriation measure was not in effect.

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Because the appropriation measure was not in effect, the funds in the table below had expenditures which exceeded appropriations during 2016. We also noted that expenditures exceeded appropriations in the General Fund during 2015.

**FINDING 2016-002
 (Continued)**

2016	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$189,298	(\$189,298)
Fire Fund	0	\$38,464	(\$38,464)
Permanent Improvement Fund	0	\$3,254	(\$3,254)
2015			
General Fund	\$85,114	\$158,742	(\$73,628)

Failure of the District to file appropriations does not allow for the District officials to monitor its budgetary position and could result in overspending and negative fund balances.

We recommend the District file the appropriate budgetary documentation with the county auditor and budget commission as required by Ohio Law. We also recommend the District monitor budgetary variances throughout the year and obtain amended certificates and/or their appropriations when necessary to prevent over spending of funds.

Officials' Response:

The appropriations are adopted in January every year and then faxed to the auditor. The District will be verifying the time stamped reply and saving with records from here out to document received.

FINDING 2016-003

Material Weakness

Governments are required to 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 related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The District lacked controls to ensure that certain transactions were posted accurately. We identified the following posting errors:

2015					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
General	Capital Outlay	\$11,582	General	General Government	\$11,582
Insurance payment was incorrectly recorded as capital outlay and should have been general government.					
General	General Government	\$7,218	General	Principal	\$10,983
	Public Safety	\$7,218		Interest	\$3,453
Debt payments were incorrectly recorded as general government and public safety and should have been principal and interest					
General	General Government	\$9,500	General	Principal	\$9,500

**FINDING 2016-003
 (Continued)**

Debt payments were incorrectly recorded as general government and should have been principal					
Not recorded			General	General Govt Property Taxes	\$4,417 \$4,417
Property taxes were posted at net instead of gross, under-reporting revenues and expenditures					
Fire	Miscellaneous	\$4,750	Fire	Intergovernmental	\$4,750
Grants funds were incorrectly recorded as special revenue fund as miscellaneous and should have been recorded as intergovernmental					
2016					
Not recorded			General	General Govt Property Taxes	\$3,870 \$3,870
Property taxes were posted at net instead of gross, under-reporting revenues and expenditures					
General	Property Taxes	\$6,884	General	Intergovernmental	\$6,884
Rollback receipts were improperly classified as property taxes and should have been intergovernmental					
General	Miscellaneous	\$4,995	General	Intergovernmental	\$4,995
Grant receipts were improperly classified as miscellaneous and should have been intergovernmental					
General	Miscellaneous	\$7,200	General	Sale of Capital Assets	\$7,200
Receipts from the sale of capital assets were improperly classified as Miscellaneous and should have been sale of capital assets.					
General	General Government	\$23,936	General	Principal Interest	\$20,877 \$3,059
Debt payments were incorrectly recorded as general government and should have been principal					

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

The District has corrected the financial statements and accounting records where appropriate, to address these posting errors.

Officials' Response:

We did not receive a response from officials to this Finding.



Dave Yost • Auditor of State

SOUTHERN HIGHLAND FIRE DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**