



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Southern Highland Joint Fire District, Highland County, Ohio (the District).

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(C) 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(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the District, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio
April 22, 2022

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, 2020

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$154,676	\$0	\$0	\$154,676
Charges for Services	0	42,745	0	42,745
Intergovernmental	5,765	119,132	0	124,897
Miscellaneous	6,911	0	0	6,911
<i>Total Cash Receipts</i>	<u>167,352</u>	<u>161,877</u>	<u>0</u>	<u>329,229</u>
Cash Disbursements				
Current Disbursements:				
General Government	1,026	0	0	1,026
Public Safety	97,252	42,281	0	139,533
Other	0	118,214	0	118,214
Capital Outlay	0	0	96	96
Debt Service:				
Principal Retirement	25,493	6,609	0	32,102
Interest and Fiscal Charges	725	609	0	1,334
<i>Total Cash Disbursements</i>	<u>124,496</u>	<u>167,713</u>	<u>96</u>	<u>292,305</u>
<i>Net Change in Fund Cash Balance</i>	42,856	(5,836)	(96)	36,924
<i>Fund Cash Balances, January 1</i>	<u>25,043</u>	<u>55,677</u>	<u>8,596</u>	<u>89,316</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$67,899</u></u>	<u><u>\$49,841</u></u>	<u><u>\$8,500</u></u>	<u><u>\$126,240</u></u>

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

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Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

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.

Corona Virus Relief: This fund receives the funds from corona virus relief from Townships and Villages that are allocated by Resolution to go to Fire District for the payment of cost of equipment and supplies to help pay for cost due to corona virus.

Capital Project Funds These funds account for and report 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 funds:

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2020 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. For regulatory purposes, nonspendable fund balance

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

includes unclaimed monies that are required to be held for five years before they may be utilized by the District and the nonspendable portion of the corpus in permanent funds.

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$99,487 for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,693	\$167,352	\$3,659
Special Revenue	153,214	161,877	8,663
Capital Projects	0	0	0
Total	\$316,907	\$329,229	\$12,322

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,009	\$124,496	(\$99,487)
Special Revenue	173,892	167,713	6,179
Capital Projects	8,596	96	8,500
Total	\$207,497	\$292,305	(\$84,808)

Note 5 – Deposits and Investments

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

	2020
Demand deposits	\$126,240

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

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:

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some District 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, 2020.

Social Security

One of the District 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, 2020.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Building Loan	\$27,627	3.5%
Engine Loan	128,250	0%
Total	\$155,877	

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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

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

Year Ending December 31:	Merchants National Bank Building Loan	2017 Fire Marshal Revolving Loan
2021	\$14,436	\$19,000
2022	14,436	19,000
2023		19,000
2024		19,000
2025		19,000
2026-2030		33,250
Total	\$28,872	\$128,250

Note 11 – Fund Balances

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 facilities effective cash planning and control. At year end the District had no balances of these amounts as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Unclaimed Monies	\$0	\$0	\$0	\$0
Corpus	0	0	0	0
Outstanding Encumbrances	0	0	0	0
Total	\$0	\$0	\$0	\$0

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

Note 12 – COVID-19

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

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

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$154,897	\$0	\$0	\$154,897
Charges for Services	0	32,550	0	32,550
Intergovernmental	5,590	1,653	0	7,243
Miscellaneous	7,717	700	0	8,417
<i>Total Cash Receipts</i>	<u>168,204</u>	<u>34,903</u>	<u>0</u>	<u>203,107</u>
Cash Disbursements				
Current Disbursements:				
General Government	1,038	0	0	1,038
Public Safety	138,235	30,070	0	168,305
Capital Outlay	35,796	0	150	35,946
Debt Service:				
Principal Retirement	38,778	0	0	38,778
Interest and Fiscal Charges	1,783	0	0	1,783
<i>Total Cash Disbursements</i>	<u>215,630</u>	<u>30,070</u>	<u>150</u>	<u>245,850</u>
<i>Net Change in Fund Cash Balance</i>	(47,426)	4,833	(150)	(42,743)
<i>Fund Cash Balances, January 1</i>	<u>72,469</u>	<u>50,844</u>	<u>8,746</u>	<u>132,059</u>
<i>Fund Cash Balances, December 31</i>				
Nonspendable	0	0	0	0
Restricted	0	55,677	8,596	64,273
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	25,043	0	0	25,043
<i>Fund Cash Balances, December 31</i>	<u>\$25,043</u>	<u>\$55,677</u>	<u>\$8,596</u>	<u>\$89,316</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, 2019

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

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 Funds These funds account for and report 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 funds:

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

Note 3 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,475	\$168,204	\$3,729
Special Revenue	35,000	34,903	(97)
Capital Projects	0	0	0
Total	\$199,475	\$203,107	\$3,632

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,943	\$215,630	\$21,313
Special Revenue	85,844	30,070	55,774
Capital Projects	8,746	150	8,596
Total	\$331,533	\$245,850	\$85,683

Note 4 – Deposits and Investments

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

Demand deposits	2019
	\$89,316

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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

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

Note 6 – Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some District 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, 2019.

Social Security

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 2.0 percent during calendar year 2019.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

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

	Principal	Interest Rate
Building Loan	\$40,729	3.5%
Engine Loan	147,250	0%
Total	\$187,979	

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. This loan was paid off in 2019.

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

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

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

Southern Highland Joint Fire District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Year Ending December 31:	Merchants National Bank Building Loan	2017 Fire Marshal Revolving Loan
2020	\$14,436	\$19,000
2021	14,436	19,000
2022	14,436	19,000
2023		19,000
2024		19,000
2025-2029		52,250
Total	\$43,308	\$147,250

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with 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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Southern Highland Joint Fire District, Highland County, (the District), and have issued our report thereon dated April 22, 2022 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 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 financial statements. 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 we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2020-003

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
April 22, 2022

**SOUTHERN HIGHLAND JOINT FIRE DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 and 2019**

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the District's internal controls over financial reporting, the following conditions related to the District's financial statements and footnotes were identified:

- In 2019, \$2,180 for Real Estate Rollback was posted as Property and Other Local Taxes in the General fund and should have been posted as Intergovernmental Receipts.
- In 2020, Fire Department Grant receipt totaling \$4,325 was posted as Miscellaneous Receipts in the General fund and should have been posted as Intergovernmental Receipts.
- In 2020, FEMA AFG grant receipt totaling \$1,500 was posted as Miscellaneous Receipts in the General fund and should have been posted as Intergovernmental Receipts.
- In 2020, \$642 for Taxes received from the Highland County Auditor was posted to the General fund as Intergovernmental Receipts and should have been posted to Property and Other Local Taxes.
- In 2019, debt payments totaling \$35,811 and \$4,750 were posted to General Government and Capital Outlay, respectively, in the General fund and should have been posted to Debt Service Principal Retirement and Debt Service Interest & Fiscal Charges, in the amounts of \$38,778 and \$1,783, respectively, in the General fund.
- In 2020, debt payments totaling \$26,218 were posted to General Government in the General fund, however, these debt payments should have been posted to Debt Service Principal Retirement and Debt Service Interest & Fiscal Charges in the amounts of \$25,493 and \$725, respectively, in the General fund.
- In 2020, a debt payment totaling \$7,218 was posted to Public Safety in the Fire & EMS fund however, this debt payment should have been posted to Debt Service Principal Retirement and Debt Service Interest & Fiscal Charges, in the amounts of \$6,609 and \$609, respectively, in the Fire & EMS fund.
- A Budgetary Activity footnote disclosure was not included for 2019 or 2020.
- A required Fund Balance footnote disclosure was not included for 2020.

The financial statements and footnotes have been adjusted for these errors, where applicable.

The District did not have procedures in place for effective monitoring of the District's financial activity, and the accuracy of accounting and financial reporting. The District's Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the District, it is important that the Board take an active role in monitoring of such activity. Failure to accurately monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

**FINDING NUMBER 2020-001
 (Continued)**

The District should design, implement, and maintain internal controls relevant to preparing and fairly presenting financial statements.

Officials' Response:

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

FINDING NUMBER 2020-002

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.

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

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

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/ amendments thereof) approved by Board were not properly posted to the accounting system for the following funds.

Fund Name	2020 Board Approved Appropriations	2020 Appropriations Per UAN	Variance
General Fund - 1000	\$25,009	\$188,735	\$163,726
Fire & EMS Services - 2281	\$173,892	\$208,892	\$35,000

Failure to accurately post the appropriations to the accounting system could result in overspending and negative cash balances.

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

Officials' Response

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

FINDING NUMBER 2020-003

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District's General fund had expenditures in excess of appropriations of \$99,487 as of December 31, 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – failure to ensure adequate controls are in place and operating effectively over EMS billing and collection activity outsourced to a third party administrator	Corrected	District has a new third party administrator for the 2020-2019 audit period and a SOC1 report was obtained.
2018-002	Material Weakness – deficiencies noted over EMS receipt testing.	Partially Corrected	District has a new third party administrator for the 2020-2019 audit. However, receipts were still posted to the District's accounting system in an untimely manner. Will be reissued as a Management Letter comment.
2018-003	Material Weakness – financial reporting including overstatement and understatement of accounts and classifications.	Not Corrected	Will be re-issued as finding 2020-001
2018-004	Noncompliance – District has uncollateralized monies at year end of 2018	Corrected	No uncollateralized balances during the 2020-2019 audit period.
2018-005	Noncompliance/Material Weakness - “then and now” certificates, blanket certificates, and super blanket certificates were not properly obtained	Corrected	Obligations were appropriated and certified.
2018-006	Material Weakness – Budgetary documents do not agree to the accounting system.	Not Corrected	Will be re-issued as finding 2020-002

OHIO AUDITOR OF STATE KEITH FABER



SOUTHERN HIGHLAND JOINT FIRE DISTRICT

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/10/2022

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