



OHIO AUDITOR OF STATE
KEITH FABER



**JEROMESVILLE COMMUNITY FIRE DISTRICT
ASHLAND COUNTY
DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Jeromesville Community Fire District
Ashland County
P.O. Box 414
Jeromesville, Ohio 44840

To the Board of Trustees:

Report on the Audit of the Financial Statements

Qualified and Adverse Opinions

We have audited the financial statements of the Jeromesville Community Fire District, Ashland County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes of the Jeromesville Community Fire District, Ashland County in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of December 31, 2021 and 2020, or the changes in financial position thereof for the year then ended.

Basis for Opinions

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

Charges for services revenues, include amounts collected by a third party administrator for emergency medical service (EMS) billing and collections agency, of \$49,058 and \$43,546, which is 7.4% and 7.1% respectively of total revenues for the years ended December 31, 2021 and 2020 respectively. The third party administrator did not provide the District with information regarding the design or proper operation of its internal controls for 2021 and 2020. 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. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

Emphasis of Matter

As discussed in Note 10 to the 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

June 5, 2023

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

	<u>All Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Combined Total</u>
Cash Receipts			
Property and Other Local Taxes	\$443,418	\$0	\$443,418
Charges for Services	63,751	0	63,751
Intergovernmental	33,330	120,432	153,762
Earnings on Investments	54	0	54
Miscellaneous	3,967	0	3,967
<i>Total Cash Receipts</i>	<u>544,520</u>	<u>120,432</u>	<u>664,952</u>
Cash Disbursements			
Current:			
General Government	79,045	0	79,045
Public Safety	259,063	0	259,063
Capital Outlay	0	120,432	120,432
Debt Service:			
Principal Retirement	84,488	0	84,488
Interest and Fiscal Charges	34,276	0	34,276
<i>Total Cash Disbursements</i>	<u>456,872</u>	<u>120,432</u>	<u>577,304</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>87,648</u>	<u>0</u>	<u>87,648</u>
<i>Net Change in Fund Cash Balance</i>	87,648	0	87,648
<i>Fund Cash Balances, January 1</i>	<u>330,713</u>	<u>0</u>	<u>330,713</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$418,361</u></u>	<u><u>\$0</u></u>	<u><u>\$418,361</u></u>

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

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 – REPORTING ENTITY

The Jeromesville Community Fire District, Ashland County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District serves three political subdivisions consisting of Mohican Township, Perry Township, and Jeromesville Village. The Board of Trustees consists of three members appointed from each of the one following political subdivisions: Mohican, Perry and Jeromesville. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection and emergency medical services (EMS) for the subdivisions and by contract to areas outside the District. The District has one full time employee, eight part-time employees and uses volunteers to provide most of the fire protection and EMS services. In 2021, the full-time employee salary was \$52,700; part time employees earned \$14.50 per hour, and volunteers earned \$13.00 per hour for calls responded to.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The District has no component units.

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

NOTE 2 – SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES

Basis of Presentation

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Fund Accounting

The District maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Misc Special Revenue- The special revenue fund is for the FEMA grant that was awarded in October of 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 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also approve estimated resources.

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits

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

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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:

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned balance classifications could be used.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$766,443	\$544,520	(\$221,923)
Special Revenue	0	120,432	120,432
Total	\$766,443	\$664,952	(\$101,491)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$521,144	\$458,984	\$62,160
Special Revenue	120,500	120,432	68
Total	\$641,644	\$579,416	\$62,228

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 4 – DEPOSITS

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

	<u>2021</u>
Demand deposits	\$418,361

Deposits are insured by the Federal Deposit Insurance Corporation.

NOTE 5 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by District Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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.
- Errors and omissions.

The District also provides accidental death and dismemberment to all volunteers through a private carrier.

Workers' Compensation

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

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Police and Fire Retirement System

The Jeromesville Community Fire District's full time firefighter belongs to the Ohio Police and Fire OP&F isa 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. Members of OP&F contributed 12.25 percent of their gross salaries from January 1 to December 31 of 2021.

The Jeromesville Community Fire District contributed an amount equaling 24 percent of participants' gross salaries from January 1 to December 31 of 2021. The Jeromesville Community Fire District has paid all contributions required through November 30, 2021.

Ohio Public Employees Retirement System

The Jeromesville Community Fire District's fiscal officer and two Trustees 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. Members of OPERS contributed 10 percent of their gross salaries from January 1 to December 31 of 2021. The Jeromesville Community Fire District contributed an amount equaling 14 percent of participants' gross salaries from January 1 to December 31 of 2021. The Jeromesville Community Fire District has paid all contributions required through November 30, 2021.

Social Security

Part time firefighters and EMS employees and one Trustee contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2021.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. OP&F contributes 0.5 percent of the employer contribution to fund these benefits. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

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.

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - DEBT

Debt outstanding at December 31, 2021, included a lease agreement with a total principal amount of \$310,379.

2019 Lease

In 2019 the District entered into a lease-purchase agreement with Leasing 2, Inc., for a Sutphen Custom Guardian Pumper, with an annual payment of \$59,382 due on January 15 commencing in 2020. The District made two payments during calendar year 2021 which were for the January 15, 2022 and 2023 payments. Therefore these payments are listed below as zero. The District is working on paying this lease in advance with the anticipation of paying it off early.

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

Year Ending December 31:	Lease
2022	\$0
2023	0
2024	59,382
2025	59,382
2026	59,382
2027-2029	178,146
Total	<u><u>\$356,292</u></u>

NOTE 10 – COVID-19

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

NOTE 11 – FUND BALANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General
Outstanding Encumbrances	2,112
Total	<u>\$2,112</u>

In the general fund, outstanding encumbrances are considered assigned.

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Jeromesville Community Fire District
Ashland 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

	<u>General</u>
Cash Receipts	
Property and Other Local Taxes	\$476,520
Charges for Services	61,667
Intergovernmental	65,167
Earnings on Investments	73
Miscellaneous	13,663
	<u>617,090</u>
Cash Disbursements	
Current:	
General Government	79,838
Public Safety	200,221
Debt Service:	
Principal Retirement	81,279
Interest and Fiscal Charges	19,673
	<u>381,011</u>
<i>Total Cash Disbursements</i>	<u>381,011</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>236,079</u>
Other Financing Receipts (Disbursements)	
Other Financing Uses	(361)
	<u>(361)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(361)</u>
<i>Net Change in Fund Cash Balance</i>	235,718
<i>Fund Cash Balances, January 1</i>	94,995
	<u>94,995</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$330,713</u></u>

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

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 – REPORTING ENTITY

The Jeromesville Community Fire District, Ashland County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District serves three political subdivisions consisting of Mohican Township, Perry Township, and Jeromesville Village. The Board of Trustees consists of three members appointed from each of the one following political subdivisions: Mohican, Perry and Jeromesville. The principal purpose of the District is to pool the mutual resources and abilities of the member subdivisions and thereby provide adequate and responsible fire protection and emergency medical services (EMS) for the subdivisions and by contract to areas outside the District. The District has one full time employee, eight part-time employees and uses volunteers to provide most of the fire protection and EMS services. In 2020, the full-time employee salary was \$51,500; part time employees earned \$14.00 per hour, and volunteers earned \$12.50 per hour for calls responded to.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The District has no component units.

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

NOTE 2 – SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES

Basis of Presentation

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Fund Accounting

The District maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the need of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Misc Special Revenue- The special revenue fund is for the FEMA grant that was awarded in October of 2020. During 2020 this grant fund did not generate any financial activity.

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 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits

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

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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:

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned balance classifications could be used.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$660,081	\$617,090	(\$42,991)
Special Revenue	120,500	0	(120,500)
Total	\$780,581	\$617,090	(\$163,491)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$397,417	\$381,387	\$16,030
Special Revenue	\$120,500	\$120,500	0
Total	\$517,917	\$501,887	\$16,030

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 4 – DEPOSITS

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

	<u>2020</u>
Demand deposits	\$330,713

Deposits are insured by the Federal Deposit Insurance Corporation.

NOTE 5 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by District Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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.
- Errors and omissions.

The District also provides accidental death and dismemberment to all volunteers through a private carrier.

Workers' Compensation

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

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Ohio Police and Fire Retirement System

The Jeromesville Community Fire District's full time firefighter belongs to the Ohio Police and Fire OP&F 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. Members of OP&F contributed 12.25 percent of their gross salaries from January 1 to December 31 of 2020.

The Jeromesville Community Fire District contributed an amount equaling 24 percent of participants' gross salaries from January 1 to December 31 of 2020. The Jeromesville Community Fire District has paid all contributions required through November 30, 2020.

Ohio Public Employees Retirement System

The Jeromesville Community Fire District's fiscal officer and two Trustees 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. Members of OPERS contributed 10 percent of their gross salaries from January 1 to December 31 of 2020. The Jeromesville Community Fire District contributed an amount equaling 14 percent of participants' gross salaries from January 1 to December 31 of 2020. The Jeromesville Community Fire District has paid all contributions required through November 30, 2020.

Social Security

Part time firefighters and EMS employees and one Trustee contribute 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 8 - POSTEMPLOYMENT BENEFITS

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. OP&F contributes 0.5 percent of the employer contribution to fund these benefits. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. 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.

Jeromesville Community Fire District
Ashland County
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 9 - DEBT

Debt outstanding at December 31, 2020, included a lease agreement with a total principal amount of \$398,322.

2019 Lease

In 2019 the District entered into a lease-purchase agreement with Leasing 2, Inc., for a Sutphen Custom Guardian Pumper, with an annual payment of \$59,382 due on January 15 commencing in 2020. The first payment was made in December 2019 for the January 15, 2020 payment with the second payment being made in December 2020 for the January 15, 2021 payment. Therefore no payment is due for 2021 as it was paid in 2020. The District is working on paying this lease in advance with the anticipation of paying it off early.

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

Year Ending December 31:	Lease
2021	\$0
2022	59,382
2023	59,382
2024	59,382
2025	59,382
2026-2029	237,528
Total	<u>\$475,056</u>

NOTE 10 – COVID-19

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

NOTE 11 – FUND BALANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$15	\$120,500	\$120,515
Total	<u>\$15</u>	<u>\$120,500</u>	<u>\$120,515</u>

The fund balance of the special revenue fund is restricted. This restricted amount in the special revenue fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jeromesville Community Fire District
Ashland County
P.O. Box 414
Jeromesville, Ohio 44840

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of the Jeromesville Community Fire District, Ashland County, (the District), and have issued our report thereon dated May xx, 2023, 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 qualified our opinion on charges for services revenue because we were unable to satisfy ourselves as to proper billing and collection of emergency medical services collected by a third party administrator. We also noted the continuing financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

Report on Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

June 5, 2023

**JEROMESVILLE COMMUNITY FIRE DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness – EMS Billing

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The District has outsourced emergency medical services (EMS) processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reasonably assure that EMS billing and collection has been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the District with reasonable assurance that the EMS billing and collection processing conforms to the contract. Billing reports, collection reports, and all other support to substantiate the amounts collected from the third-party administrator should also be maintained. The opinion has been modified to a qualified opinion due to this finding.

Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The District should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type 2 SOC 1 report, the District should contract with a third-party administrator that will provide this report.

Officials' Response: We concur with the findings of the auditor.

**JEROMESVILLE COMMUNITY FIRE DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2021-002

Significant Deficiency – Financial Reporting

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.

The following reclassifications were made to the District's financial statements:

- During 2020, the District incorrectly posted \$81,279 and \$19,163 of Principal Retirement and Interest and Fiscal Charges, respectively, to Public Safety and Other Financing Uses in the General Fund.
- During 2021, the District incorrectly posted \$87,944 and \$30,820 of Principal Retirement and Interest and Fiscal Charges, respectively, to Public Safety and Other Financing Uses in the General Fund.
- During 2021, the District voided two prior year expenditures which resulted in an overstatement of \$154 for the beginning fund balance for the General Fund. The adjustment was made to the financials to make sure the 2020 ending fund balance agreed to the prior year fund balance on the 2021 financials.

In addition to these reclassifications noted above, we also identified one additional misstatement for \$11,480 that we have brought to the District's attention as unadjusted items. We also noted the footnotes to the financial statements did not properly include the fund balance note disclosure in their 2020 and 2021 reports per Auditor of State Bulletin 2020-008 and improperly reported budgetary amounts.

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

The District should exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the District should review GASB 54, Auditor of State Bulletin 2011-004, and Auditor of State Bulletin 2020-008 to help ensure they are accurately classifying fund balances. Establishing internal controls over financial reporting will help the District to improve financial reporting accuracy.

Officials' Response: We concur with the findings of the auditor.

**Jeromesville Community Fire District
Ashland County
PO Box 414
Jeromesville, OH 44840**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Significant Deficiency – Financial Reporting	Not Corrected	Finding repeated at 2021-002 as certain adjustments were made to the report.
2019-002	Material Weakness – EMS Billing	Not Corrected	Finding repeated at 2021-001 as District could not provide SOC 1 report.

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OHIO AUDITOR OF STATE KEITH FABER



JEROMESVILLE COMMUNITY FIRE DISTRICT

ASHLAND 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 7/6/2023

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

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