



OHIO AUDITOR OF STATE
KEITH FABER



SHORT CREEK JOINT FIRE DISTRICT
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - General Fund FYE 12/31/2017.....	3
Notes to the Financial Statements FYE 12/31/2017.....	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - General Fund FYE 12/31/2016.....	11
Notes to the Financial Statements FYE 12/31/2016.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Short Creek Joint Fire District, Jefferson County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, 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, and related notes of the Short Creek Joint Fire District, Jefferson County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, 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

February 8, 2019

Short Creek Joint Fire District
Jefferson County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Cash Basis)
General Fund
For the Year Ended December 31, 2017

	General
Cash Receipts	
Charges for Services	\$ 40,057
Intergovernmental	373,957
Miscellaneous	131,722
<i>Total Cash Receipts</i>	<i>545,736</i>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Salaries	296,055
Other	32
Capital Outlay	256,965
Debt Service:	
Principal Retirement	267,284
Interest and Fiscal Charges	6,001
<i>Total Cash Disbursements</i>	<i>826,337</i>
<i>Excess Receipts (Under) Disbursements</i>	<i>(280,601)</i>
Other Financing Receipts	
Proceeds of Debt	306,666
<i>Total Other Financing Receipts</i>	<i>306,666</i>
<i>Net Change in Fund Cash Balance</i>	<i>26,065</i>
<i>Fund Cash Balances, January 1</i>	<i>5,600</i>
Fund Cash Balances, December 31	
Unassigned	31,665
<i>Fund Cash Balances, December 31</i>	<i>\$31,665</i>

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

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Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Short Creek Joint Fire District, Jefferson County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are the Village of Smithfield, Village of Adena, and Smithfield Township. The District provides fire protection and rescue services within the District and by contract to areas outside of 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 statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the general fund.

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 fund of the District is 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.

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

These statements include adequate disclosure of material matters, as the 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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object 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 canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

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

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

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$666,125 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,894	\$852,402	\$676,508
Total	\$175,894	\$852,402	\$676,508

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,212	\$826,337	(\$666,125)
Total	\$160,212	\$826,337	(\$666,125)

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments

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

	<u>2017</u>
Demand Deposits	<u>\$31,665</u>
	<u>\$31,665</u>

Deposits

Deposits are insured by the Federal deposit Insurance Corporation.

Note 6 – Risk Management

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

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan	\$ 39,883	5.5%
Total	<u>\$ 39,883</u>	

The loan was acquired from Peoples National Bank of Mt. Pleasant on Jan. 6, 2017 for the amount of \$50,500.00. The maturity date is Jan. 6, 2021. The interest rate is 5.5%. The purpose of the loan was start-up funds for the Short Creek Joint Fire District.

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

Year Ending - <u>December 31:</u>	<u>Bank Loan</u>
2018	\$14,092
2019	\$14,092
2020	\$14,092
2021	<u>\$ 1,174</u>
Total	<u>\$43,450</u>

Note 8 – Subsequent Event

On November 6, 2018, the residents of the District approved an additional four mil Fire and EMS levy.

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Short Creek Joint Fire District
Jefferson County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Cash Basis)
General Fund
For the Year Ended December 31, 2016

	General
Cash Receipts	
Miscellaneous	\$ 31,007
<i>Total Cash Receipts</i>	<i>31,007</i>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Materials and Supplies	71
Capital Outlay	25,336
<i>Total Cash Disbursements</i>	<i>25,407</i>
<i>Excess Receipts Over Disbursements</i>	<i>5,600</i>
<i>Fund Cash Balances, January 1</i>	<i>0</i>
Fund Cash Balances, December 31	
Unassigned	5,600
<i>Fund Cash Balances, December 31</i>	<i>\$5,600</i>

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

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Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Short Creek Joint Fire District, Jefferson County, (the District) as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are the Village of Smithfield, Village of Adena, and Smithfield Township. The District provides fire protection and rescue services within the District and by contract to areas outside of 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

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

These statements include adequate disclosure of material matters, as the 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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object 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 canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

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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.

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$25,407 for the year ended December 31, 2016.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$31,007	\$31,007
Total	\$0	\$31,007	\$31,007

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$25,407	(\$25,407)
Total	\$0	\$25,407	(\$25,407)

Short Creek Joint Fire District
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand Deposits	<u>\$5,600</u>
	<u>\$5,600</u>

Deposits

Deposits are insured by the Federal deposit Insurance Corporation.

Note 6 – Subsequent Event

On January 1, 2017 the District took out a line of credit in the amount of \$50,000 at an interest rate of 5.5%. On July 14, 2017 the District entered into a loan agreement in the amount of \$256,666 for the purchase of an ambulance and three cardiac monitors. The loan was subsequently paid off on October 19, 2017.

On November 6, 2018, the residents of the District approved an additional four mil Fire and EMS levy.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Short Creek Joint Fire District, Jefferson County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2019 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2017-003 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

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

February 8, 2019

**SHORT CREEK JOINT FIRE DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance – Disbursements Exceed Appropriations

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2017 and 2016 disbursements exceeded appropriations in the General Fund in the amounts of \$666,125 and \$25,407, or 416% and 100% of appropriations, respectively.

This is due to the District not having a policy or procedures in place to review this information to help ensure compliance. Failure to have a policy in place and monitor appropriations could result in overspending and negative fund balances.

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

FINDING NUMBER 2017-002

Noncompliance – Annual Appropriation Measures

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

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

- The District failed to create and pass a budget in 2016;
- A 2017 budget was created; however, the Board failed to approve it in the minutes. No evidence was provided showing a temporary budget was approved prior to the beginning of the fiscal year; and
- The District's Quickbooks accounting system does not allow the District to enter budgeted receipts and appropriations.

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

FINDING NUMBER 2017-002 (Continued)

The District should implement controls to help ensure the Board passes an annual appropriation measure by the required date. The Board should consider approving temporary appropriations if they are not able to approve the annual appropriations prior to the required date. The District should create a method to compare budgeted information as approved by the Trustees to actual information, either within the accounting system or manually.

FINDING NUMBER 2017-003

Material Weakness – Accurate Posting of Transactions

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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions. This resulted in adjustments to the financial statements. The District Fiscal Officer and management have agreed to and posted the adjustment to the District's accounting records.

The correct amounts are reflected in the accompanying financial statements.

Fund Adjusted	Line Items Adjusted	Amount	Explanation
General	Fund Cash Balance, January 1	\$5,600	To post beginning fund balance that was not included in the 2017 filed report.
General	Other Expense and Unassigned Fund Balance	32	To adjust the financial statements so bank and book balances agree.

One additional misposting was identified; however it was not material and the District decided not to make the adjustment. The District did not have procedures in place to record transactions properly.

Adjustments to the Financial Statement Notes include:

- The 2017 Notes had the following errors:
 - The Budgetary Activity note actual receipts figure did not agree to the financial statements;
 - The Deposits and Investments balance did not agree to the financial statements; and
 - The Taxes note was included; however, the District does not levy taxes.

FINDING NUMBER 2017-003 (Continued)

- The 2016 Notes had the following errors:
 - The Taxes note was included; however, the District does not levy taxes;
 - The Risk Management note was included; however, the District did not have a workers compensation expense nor was liability insurance purchased; and
 - A Subsequent Events note was not included for the loan agreement entered into for the purchase of an ambulance and three cardiac monitors.

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

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

FINDING NUMBER 2017-004

Significant Deficiency – Cash Reconciliation Process Errors

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

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

Testing over the December 2017 reconciliation identified the following:

- The Fiscal Officer prepared and signed the reconciliation; however, no evidence was provided showing the Board reviewed and approved it;
- The District was unable to provide a breakout of the outstanding check figure of \$12,346. We performed a reconciliation over the outstanding checks and determined there were outstanding checks of \$5,701 as of year-end 12/31/17;
- The District was unable to provide a report detailing the new transaction checks figure of \$12,192;
- The District made Fund balance adjustments of \$272 to balance unknown reconciling discrepancies;
- As of December 31 the District's General Ledger has a balance of \$32 more than the bank. The District has made the adjustment to the accounting system; and
- The District was not able to provide a trial balance report for fiscal year 2016; however, was able to provide support for all transactions in 2016 and supported the activity reported in the financial statements.

FINDING NUMBER 2017-004 (Continued)

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

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

Officials' Response: We did not receive a response from Officials to the findings reported above.

OHIO AUDITOR OF STATE
KEITH FABER



SHORT CREEK JOINT FIRE DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2019**