

**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Perry Congress Joint Fire District
7478 Co. Rd. 242
Bellville, Ohio 44813

We have reviewed the *Independent Auditor's Report* of Perry Congress Joint Fire District, Morrow County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Perry Congress Joint Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2021

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**PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY
Regular Audit
For the Years Ended December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

Perry Congress Joint Fire District
Morrow County
7478 Co. Rd. 242
Bellville, Ohio 44813

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and related notes of the Perry Congress Joint Fire District, Morrow County, (the District) as of and for the years ended December 31, 2020 and 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the 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 determined, 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, 2020 and 2019, and the changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type, as of and for the years ended December 31, 2020 and 2019 and the related notes of the Perry Congress Joint Fire District, Morrow County, 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.

Emphasis of Matter

As discussed in Note 9 to the 2020 financial statements and Note 8 in the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. As discussed in Note 10 to the 2020 financial statements, the District made changes to its cash basis reporting model. We did not modify our opinions regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021, on our consideration of the District's internal control over financial reporting and on 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.



Charles E. Harris & Associates, Inc.
July 29, 2021

Perry Congress Joint Fire District
Morrow 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

	General	Debt Service	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 143,852	\$ 212,841	\$ 356,693
Charges for Services	22,825	-	22,825
Intergovernmental	25,880	5,098	30,978
Earnings on Investments	128	-	128
Miscellaneous	5,130	-	5,130
<i>Total Cash Receipts</i>	<u>197,815</u>	<u>217,939</u>	<u>415,754</u>
Cash Disbursements			
Current Disbursements:			
General Government	26,462	-	26,462
Public Safety	177,107	5,023	182,130
Capital Outlay	99,900	-	99,900
Debt Service:			
Principal Retirement	20,000	113,100	133,100
Interest and Fiscal Charges	392	83,182	83,574
<i>Total Cash Disbursements</i>	<u>323,861</u>	<u>201,305</u>	<u>525,166</u>
<i>Excess Receipts Over (Under) Disbursements</i>	(126,046)	16,634	(109,412)
Other Financing Receipts			
Sale of Bonds	50,000	-	50,000
<i>Total Other Financing Receipts</i>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<i>Net Change in Fund Cash Balance</i>	(76,046)	16,634	(59,412)
<i>Fund Cash Balances, January 1, 2020</i>	<u>202,352</u>	<u>55,536</u>	<u>257,888</u>
<i>Fund Cash Balances, December 31, 2020</i>	<u>\$ 126,306</u>	<u>\$ 72,170</u>	<u>\$ 198,476</u>

See accompanying notes to the financial statements

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Perry Congress Joint Fire District, Morrow County, (the District) as a body corporate and politic. A publicly elected four-member Board of Trustees directs the District. Each political subdivision within the District appoints two members. Those subdivisions are Perry Township and Congress Township. The District provides fire protection and emergency medical services with 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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Fire District had the following significant Debt Service Fund:

Debt Retirement Fund This fund is responsible for the payment of the Series 2016 New Fire Station Bonds. See Note 7 for additional information on the District Bond Issue.

Basis of Accounting

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

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

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts). 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 cancelled and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

The District 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.

Capital Assets

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

Fund Balance

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

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District and the nonspendable portion of the corpus in permanent funds.

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

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 8.

Note 3– Budgetary Activity

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

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 174,480	\$ 247,815	\$ 73,335
Special Revenue	218,515	-	(218,515)
Debt Service	-	217,939	217,939

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 300,493	\$ 323,861	\$ (23,368)
Special Revenue	235,979	-	235,979
Debt Service	-	201,305	(201,305)

The District was in violation of Ohio Revised Code Section 5705.41(B) which provides that budgetary expenditures cannot exceed appropriation authority.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits

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

	<u>2020</u>
Demand deposits	\$ 84,008
Savings accounts	<u>114,468</u>
Total deposits	<u><u>\$ 198,476</u></u>

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the District does not have any unremitted employee payroll withholdings.

Deposits

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

Note 5 – Property Taxes

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

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

Note 6 – Risk Management

Risk Pool Membership

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management (continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019. (latest information available)

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members’ Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org

Note 7 – Debt

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

	Principal	Interest Rate
Fire Station Bonds	\$ 2,121,163	3.76%
Fire Truck Bonds	<u>30,000</u>	2.74%
Total	<u><u>\$ 2,151,163</u></u>	

In June 2016, the District obtained bonded debt to finance the construction of a new fire station for the District in the amount of \$2,550,000 with interest rate of 3.76%. The District’s taxing authority collateralized the bond. The bond has a term of 18 years ending in October 2034.

In August 2020, the District obtained bonded debt to finance the purchase of a fire truck for the District in the amount of \$50,000 with interest rate of 2.74%. Park National Bank purchased the bond. The bond has a term of one year ending in August 2021.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Debt (continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds
2021	\$226,282
2022	196,282
2023	196,282
2024	196,282
2025	196,282
2026-2030	981,408
2031-2035	787,522
Total	<u>\$2,780,340</u>

Note 8 – 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 facilities effective cash planning and control. At year end, the District did not have outstanding encumbrances.

The fund balance of the debt service fund is restricted, committed or assigned. These restricted, committed and assigned amounts would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

Note 9 – COVID-19

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

Note 10 – Change in Accounting Principle

For 2020, the District has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. There was no effect on the beginning fund balance.

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

	General	Debt Service	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 145,834	\$ 216,236	\$ 362,070
Charges for Services	6,200	-	6,200
Intergovernmental	54,610	5,246	59,856
Earnings on Investments	154	-	154
Miscellaneous	8,022	-	8,022
<i>Total Cash Receipts</i>	<u>214,820</u>	<u>221,482</u>	<u>436,302</u>
Cash Disbursements			
Current Disbursements:			
General Government	39,568	-	39,568
Public Safety	149,152	5,336	154,488
Capital Outlay	119,300	-	119,300
Debt Service:			
Principal Retirement	-	109,190	109,190
Interest and Fiscal Charges	-	87,092	87,092
<i>Total Cash Disbursements</i>	<u>308,020</u>	<u>201,618</u>	<u>509,638</u>
<i>Excess Receipts Over (Under) Disbursements</i>	(93,200)	19,864	(73,336)
Other Financing Receipts			
Sale of Capitals Assets	37,965	-	37,965
<i>Total Other Financing Receipts</i>	<u>37,965</u>	<u>-</u>	<u>37,965</u>
<i>Net Change in Fund Cash Balance</i>	(55,235)	19,864	(35,371)
<i>Fund Cash Balances, January 1, 2019</i>	<u>257,587</u>	<u>35,672</u>	<u>293,259</u>
Fund Cash Balances, December 31, 2019			
Restricted	-	55,536	55,536
Assigned	125,913	-	125,913
Unassigned	76,439	-	76,439
<i>Fund Cash Balances, December 31, 2019</i>	<u>\$ 202,352</u>	<u>\$ 55,536</u>	<u>\$ 257,888</u>

See accompanying notes to the financial statements

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Perry Congress Joint Fire District, Morrow County, (the District) as a body corporate and politic. A publicly elected four-member Board of Trustees directs the District. Each political subdivision within the District appoints two members. Those subdivisions are Perry Township and Congress Township. The District provides fire protection and emergency medical services with 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 combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Fire District had the following significant Debt Service Fund:

Debt Retirement Fund This fund is responsible for the payment of the Series 2016 New Fire Station Bonds. See Note 7 for additional information on the District Bond Issue.

Basis of Accounting

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

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

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts). 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 cancelled and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The District 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.

Capital Assets

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

Fund Balance

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

Nonspendable The Fire 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 Township 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.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget in the General Fund.

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

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

Note 3 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$440,545	\$252,785	(\$187,760)
Special Revenue	294,246	-	(294,246)
Debt Service	-	221,482	221,482

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ -	\$ 308,020	\$ (308,020)
Special Revenue	-	-	-
Debt Service	-	201,618	(201,618)

The District was in violation of Ohio Revised Codes 5705.41(B), 5705.36(A) and 5705.39. Budgetary expenditures exceeded appropriation authority for all funds for the year ended December 31, 2019 because the District did not submit all required budgetary documents to the County Auditor.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits

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

	2019
Demand deposits	\$ 63,129
Savings accounts	194,759
Total deposits	\$ 257,888

Deposits

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

Note 5 – Property Taxes

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

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

Note 6 – Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management (continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members’ Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Note 7 – Debt

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

	Principal	Interest Rate
Fire Station Bonds	\$2,234,263	3.76%

In June 2016, the District obtained bonded debt to finance the construction of a new fire station for the District in the amount of \$2,550,000 with interest rate of 3.76%. The District’s taxing authority collateralized the bond. The bond has a term of 18 years ending in October 2034.

Perry Congress Joint Fire District
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Debt (continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds
2020	\$196,282
2021	196,282
2022	196,282
2023	196,282
2024	196,282
2025-2029	981,410
2030-2035	983,802
Total	<u>\$2,946,622</u>

Note 8 – COVID-19

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Perry Congress Joint Fire District
Morrow County
7478 Co. Rd. 242
Bellville, Ohio 44813

To the Board of Trustees:

We have audited, in accordance with 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, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type of the Perry Congress Joint Fire District, Morrow County, (the District) as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, and have issued our report thereon dated July 29, 2021, wherein we noted that the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. In addition, we noted the change in the District's cash basis reporting model for 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2020-001, 2020-002 and 2020-004 that we consider to be material weaknesses.

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 compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Audit Findings as items 2020-002 and 2020-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 29, 2021.

Entity's Responses to Findings

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

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.



Charles E. Harris & Associates, Inc.
July 29, 2021

PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY

Schedule of Audit Findings
December 31, 2020 and 2019

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

Finding Number 2020-001 – Material Weakness

Audit Adjustments, Reclassifications and Notes to the Financial Statements

During 2020 and 2019, errors were noted in the District’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In 2020 and 2019, adjustments were made to reclassify Special Revenue disbursements of \$211,557 and \$196,282, respectively to the General Fund and Debt Service Fund.
- In 2020 and 2019, Debt Service Fund interest payments totaling \$83,182 and \$87,092, respectively were reclassified from principal retirement to interest.
- In 2020, an adjustment was made to record \$50,000 of General Fund bond proceeds and the related capital outlay expenditure for the purchase of a fire truck.
- In 2020, an adjustment was made to increase the fund balance by \$5,577 for cash transactions that were unrecorded or recorded in error.
- In 2019, adjustments totaling \$42,350 were made to reclassify amounts recorded as extraordinary items to other receipt line items.
- In 2020 and 2019 adjustments were made for \$49,900 and \$119,300, respectively for capital outlay expenditures that were erroneously recorded as general government disbursements in the General Fund.
- In 2020 and 2019, expenditures in the amount of \$119,632 and \$130,071, respectively, were reclassified from the general government function to the public safety function.
- In 2019 unassigned fund balance of \$76,439 of the General Fund balance was incorrectly reported as assigned and the restricted fund balance of the Debt Service Fund in the amount of \$55,536 was incorrectly reported as assigned fund balance.
- The notes to the financial statements for both 2020 and 2019 required changes for information that was missing or incorrect.

The accompanying financial statements and the District’s records have been adjusted to properly reflect these transactions. Other immaterial adjustments were noted and communicated to management.

Sound financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the District \$adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board Statement No. 54, Audit Bulletin 2011-004, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management’s Response:

See Corrective Action Plan on page 24.

PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY

Schedule of Audit Findings – (Continued)
December 31, 2020 and 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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Finding Number 2020-002 – Material Weakness/Noncompliance – Revenue Posting

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

The District posted receipts to improper funds as follows:

- In 2019, Debt Service Fund homestead & rollback receipts totaling \$5,246 were incorrectly posted to the General Fund (\$2,600) and the Special Revenue Fund (\$2,646).
- In 2020, Debt Service Fund homestead & rollback receipts totaling \$5,098 were incorrectly posted to the General Fund (\$2,538) and Special Revenue Fund (\$2,560).
- In 2020 and 2019, Debt Service Fund property taxes of \$212,841 and \$216,236, respectively, were incorrectly posted to the Special Revenue Fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The District should implement internal control procedures to review revenue sources for possible restrictions. This will help ensure all receipts posted to the proper funds.

Management's Response:

See Corrective Action Plan on page 24.

PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY

Schedule of Audit Findings – (Continued)
December 31, 2020 and 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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Finding Number 2020-003 – Material Noncompliance – Budgetary Requirements

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall expend money unless it has been appropriated.

Ohio Rev. Code Section 5705.36(A) states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget.

Ohio Rev. Code Section 5705.39 states in part no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

In January 2019, the District completed a certificate of the total amount from all sources available for expenditures, and the Board approved the annual appropriation measure. However, these documents were not submitted to the Morrow County Auditor. Therefore, the Morrow County Auditor could not certify that appropriations did not exceed the official or amended estimate of resources. As a result, all expenditures in 2019 exceeded a duly authorized appropriation measure.

In 2020 the District did not appropriate money for the Debt Service fund, therefore expenditures in the Debt Service fund exceeded authorized appropriations. The General Fund had expenditures exceeding estimated resources of \$23,368 in 2020.

We recommend the District timely submit all required budgetary documents to the Morrow County Auditor. The District should review the Ohio Compliance Supplement to develop a schedule to ensure all annual budgetary filings are made on time and compliance requirements are met.

Management's Response:

See Corrective Action Plan on page 24.

PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY

Schedule of Audit Findings – (Continued)
December 31, 2020 and 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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Finding Number 2020-004 – Material Weakness

Bank Reconciliations

During 2020 and 2019, the Clerk did not prepare accurate monthly reconciliations of bank balances to book balances in a timely manner. For several months, reconciliations were not completed timely, and some transactions were not being recorded timely. There were also reconciling items and other adjusting factors that were not identified. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

We recommend the Clerk prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances, with support for all reconciling items or other adjusting factors. Bank reconciliations should be presented to the Board for review and used in managing the District.

Management's Response:

See Corrective Action Plan on page 24.

PERRY CONGRESS JOINT FIRE DISTRICT
MORROW COUNTY
For the Years Ended December 31, 2020 and 2019

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2018-001	Material Weakness-Financial Reporting	Not corrected	See Corrective Action Plan
2018-002	Material Noncompliance/Material Weakness – Revenue Posting	Not corrected	See Corrective Action Plan
2018-003	Material Noncompliance – Budgetary Requirements	Not corrected	See Corrective Action Plan

PERRY CONGRESS. JOINT FIRE DISTRICT
MORROW COUNTY
For the Years Ended December 31, 2020 and 2019

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	The Clerk will review the Auditor of State guidance as a reference when recording transactions and establish the appropriate accounts in UAN for the proper recording of transactions.	3 rd quarter, 2021	Kim Hildreth, Board Chair
2020-002	The Clerk will review 5705.10(D) of the Ohio Rev. Code and implement controls over the process of recording restricted receipts.	3 rd quarter, 2021	Kim Hildreth, Board Chair
2020-003	The Clerk and Board will review the Ohio Compliance Supplement to develop a schedule for completing and submitting budgetary documents to the Morrow County auditor.	3 rd quarter, 2021	Kim Hildreth, Board Chair
2020-004	The Clerk will complete detailed bank reconciliations properly on a timely basis and present them to the Board for approval.	3 rd quarter, 2021	Kim Hildreth, Board Chair

OHIO AUDITOR OF STATE KEITH FABER



PERRY CONGRESS JOINT FIRE DISTRICT

MORROW 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 9/23/2021

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