



OHIO AUDITOR OF STATE
KEITH FABER



**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Newton Falls Joint Fire District
Trumbull County
19 North Canal Street
Newton falls, OH 44444

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Newton Falls Joint Fire District, Trumbull County, (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 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 1 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, or 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 by fund type, and related notes of the Newton Falls Joint Fire District, Trumbull County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 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

July 23, 2019

Newton Falls Joint Fire District
Trumbull County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$91,068	\$295,891	\$386,959
Charges for Services	117,346	187,630	304,976
Intergovernmental	14,992	24,044	39,036
Donation	5,250		5,250
License Permits & Fees	303		303
Miscellaneous	4,203	3,649	7,852
<i>Total Cash Receipts</i>	<u>233,162</u>	<u>511,214</u>	<u>744,376</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries	77,682	254,506	332,188
Fringe Benefits	23,673	28,753	52,426
Materials and Supplies	11,305	37,765	49,070
Repairs and Maintenance	92,914	13,392	106,306
Other	65,285	54,461	119,746
Capital Outlay	34,585	7,619	42,204
Debt Service:			
Principal Retirement	7,037	63,510	70,547
Interest and Fiscal Charges	6,400	1,946	8,346
<i>Total Cash Disbursements</i>	<u>318,881</u>	<u>461,952</u>	<u>780,833</u>
<i>Net Change in Fund Cash Balance</i>	<u>(85,719)</u>	<u>49,262</u>	<u>(36,458)</u>
<i>Fund Cash Balances, January 1</i>	<u>467,489</u>	<u>161,820</u>	<u>629,309</u>
Fund Cash Balances, December 31			
Restricted		211,082	211,082
Unassigned (Deficit)	381,770		381,770
<i>Fund Cash Balances, December 31</i>	<u>\$ 381,770</u>	<u>\$ 211,082</u>	<u>\$ 592,851</u>

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

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Newton Falls Joint Fire District
Trumbull 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 the Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic, A five member Board of Directors directs the District. The Board members for the District are appointed by the City Council and the Township Trustees. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one year term on the District Board. At any given time, the board of directors will have one extra representative either from the Village of Newton Falls or Newton Township. The political subdivisions annually appoint a village council representative and township trustee to serve on the board of directors. *Those* subdivisions are the Village of Newton Falls and Newton Township. The District provides fire and emergency medical services to the Village of Newton Falls and Newton Township.

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District does not participate in any jointly governed organizations, public entity risk pools or related organization. The District is a joint venture of the Village of Newton Falls and Newton Township presented in Note 11.

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).

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The District's only Special Revenue Fund is an EMS Fund. EMS Fund accounts for resources the District accumulates from emergency services. Resources constituting the EMS fund are restricted by Ohio Law to be used solely for expenses incurred in the operation of the District's emergency response services.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires the Board to budget 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. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts).

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations to include material items that should have been encumbered.

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 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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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 the Board 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 EMS fund by \$43,325, of this was \$3128.93 to pay IRS penalties for payroll deposits. These penalties are in the process for consideration of abatement. These penalties were accessed based on payroll deposits being made monthly rather than bi-weekly based on the amount of payroll from previous year. The amount of payroll for 2016 was unknown to the new payroll clerk since the previous fiscal officer did not leave proper accounting to pass on.

The penalties were as follows:

1st Quarter 941 2017 = \$1207.77 and paid arch debit 12/11/2017

2nd Quarter 941 2017 = \$1921.16 and paid arch debit 12/11/2017

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Also contrary to Ohio law, the District improperly transferred \$76,171 from the EMS Fund to the General Fund; the District passed appropriations on December 28, 2016 that were included in their 2017 temporary budget. No 2017 permanent budget or amended appropriations were ever passed by the Board. In addition, District did not certify to the County Auditor all sources of revenue available for expenditure from each fund or file any appropriations.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$253,723	\$233,162	(\$20,561)
Special Revenue	469,328	511,214	41,886
Total	\$723,051	\$744,376	\$21,325

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$389,208	\$318,881	\$70,327
Special Revenue	416,627	461,952	(45,325)
Total	\$805,835	\$780,833	\$25,002

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:

2017	
Demand deposits	\$ 592,851
Total deposits	592,851
Total deposits and investments	592,851

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

The District's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Property Taxes

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

Public utilities are also taxed on personal and real property located within the District.

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

Note 7 - Risk Management

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 (if material).

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

District employees participate in OPERS. The remaining employees are exempt from OPERS in accordance with Ohio Revised Code 145.01(B) or Ohio Administrative Code Section 145-1-26 and are subject to Social Security Tax.

Ohio Public Employees Retirement System

Three District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS- Local</i>	<i>2012 - 2017</i>	<i>10%</i>	<i>14%</i>

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

Most 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.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which includes 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 of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

Bank Loans:	<u>Principal</u>	<u>Interest Rate</u>
Farmer's Bank - Ambulance	47,830	0.0243
US Bank-Equipment	15,477	0.015
Middlefield Bank	137,161	0.045
Total	<u>\$200,468</u>	

In 2011, the District purchased the property at 45 E Broad Street from Newton Township for \$50,000. The District paid the Township a down payment of \$25,000 on the property, with the balance to be paid in equal installments of \$5,000 over the next five years. The District also procured a loan from The Middlefield Banking Company in the amount of \$175,000 in order to complete the necessary renovations of the property acquired from Newton Township. The terms of the loan are as follows: interest will accrue on the outstanding principal at the rate of 4.5% per year beginning on December 07, 2011 until June 07, 2022.

In 2015, the District issued an EMS Vehicle Acquisition Note in the amount of \$140,884 for the purchase of a new ambulance. It will be paid off in 2018.

US Bank is leased equipment and will be paid in full in 2019.

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

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2017

<u>Year Ending December 31:</u>	<u>Farmers Loan</u>	<u>Middlefield Loan</u>	<u>USBank</u>
2018	\$48,810	\$13,437	16,732
2019		13,437	
2020		13,437	
2021		13,437	
2022		13,437	
2023-2027		94,358	
Total	<u>\$48,810</u>	<u>\$ 161,543</u>	<u>\$16,732</u>

Note 11 – Joint Venture

The Newton Falls Joint Fire District (the District) provides fire protection and rescue services within the District and by contract to areas outside the District. The District is composed of the territories within Newton Township and the Village of Newton Falls. The District is under the management of a five member board. The Board members for the District are appointed by the Township Trustees and Village of Newton Falls Council. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three year term on the District Board. The final member of the Board is also appointed by the political subdivisions to serve a three year term. The final member's selection alternates between a resident of the Township and the Village. The District in large part is funded by voter approved property tax receipts. The Township and Village, per agreement, also provide funding to the District. For the year 2017, the Village and Township provided \$\$61,980 and \$55,365 to the District.

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

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$90,908	\$296,786	\$387,694
Charges for Services	161,934	188,159	350,093
Intergovernmental	15,596	16,198	31,794
Donations	4,685	3,500	8,185
License Permits & Fees	20		20
Miscellaneous		19,683	19,683
<i>Total Cash Receipts</i>	<u>273,143</u>	<u>524,326</u>	<u>797,469</u>
Cash Disbursements			
Current Disbursements:			
Security of Persons and Property:			
Salaries	69,163	234,159	303,322
Fringe Benefits	10,646	26,351	36,997
Materials and Supplies	5,430	10,995	16,425
Repairs and maintenance	8,641	8,185	16,826
Other	27,986	68,622	96,608
Capital Outlay	46,567	110,085	156,652
Debt Service:			
Principal Retirement	11,731	62,922	74,653
Interest and Fiscal Charges	6,831	2,620	9,451
<i>Total Cash Disbursements</i>	<u>186,995</u>	<u>523,939</u>	<u>710,934</u>
<i>Net Change in Fund Cash Balance</i>	<u>86,148</u>	<u>387</u>	<u>86,535</u>
<i>Fund Cash Balances, January 1</i>	<u>381,341</u>	<u>161,433</u>	<u>542,774</u>
Fund Cash Balances, December 31			
Restricted		161,820	161,820
Unassigned (Deficit)	467,489		467,489
<i>Fund Cash Balances, December 31</i>	<u>\$467,489</u>	<u>\$161,820</u>	<u>\$629,309</u>

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

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Newton Falls Joint Fire District
Trumbull 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 the Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic, A five member Board of Directors directs the District. The Board members for the District are appointed by the City Council and the Township Trustees. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one year term on the District Board. At any given time, the board of directors will have one extra representative either from the Village of Newton Falls or Newton Township. The political subdivisions annually appoint a village council representative and township trustee to serve on the board of directors. *Those* subdivisions are the Village of Newton Falls and Newton Township. The District provides fire and emergency medical services to the Village of Newton Falls and Newton Township.

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District does not participate in any jointly governed organizations, public entity risk pools or related organization. The District is a joint venture of the Village of Newton Falls and Newton Township presented in Note 11.

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).

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:

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Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires the Board to budget 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. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts).

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations to include material items that should have been encumbered.

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 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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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 the Board 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, the District improperly transferred \$49,462 from the EMS Fund to the General Fund.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$276,339	\$273,143	(\$3,196)
Special Revenue	484,328	524,326	39,998
Total	\$760,667	\$797,469	\$36,802

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$227,460	\$186,995	\$40,465
Special Revenue	552,526	523,939	28,587
Total	\$779,986	\$710,934	\$69,052

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	\$629,309
Total deposits	<u>629,309</u>
Total deposits and investments	<u>\$629,309</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

The District's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2016, the financial institution still maintained its own collateral pool.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Property Taxes

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

Public utilities are also taxed on personal and real property located within the District.

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

Note 7 - Risk Management

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 (if material).

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

District employees participate in OPERS. The remaining employees are exempt from OPERS in accordance with Ohio Revised Code 145.01(B) or Ohio Administrative Code Section 145-1-26 and are subject to Social Security Tax.

Ohio Public Employees Retirement System

Three District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

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

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS- Local</i>	<i>2012 - 2016</i>	<i>10%</i>	<i>14%</i>

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

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

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

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which includes 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 of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2016.

Note 10 - Debt

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

<u>Bank Loans:</u>	<u>Principal</u>	<u>Interest Rate</u>
Farmer's Bank - Ambulance	94,694	0.0243
US Bank-Equipment	32,209	0.015
Middlefield Bank	<u>143,960</u>	0.045
Total	<u>\$270,864</u>	

In 2011, the District purchased the property at 45 E Broad Street from Newton Township for \$50,000. The District paid the Township a down payment of \$25,000 on the property, with the balance to be paid in equal installments of \$5,000 over the next five years. The District also procured a loan from The Middlefield Banking Company in the amount of \$175,000 in order to complete the necessary renovations of the property acquired from Newton Township. The terms of the loan are as follows: interest will accrue on the outstanding principal at the rate of 4.5% per year beginning on December 07, 2011 until June 07, 2022.

In 2015, the District issued an EMS Vehicle Acquisition Note in the amount of \$140,884 for the purchase of a new ambulance. It will be paid off in 2018.

US Bank is leased equipment and will be paid in full in 2019.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Year Ending December 31	<u>Farmers</u> <u>Loan</u>	<u>Middlefield</u> <u>Loan</u>	<u>USBank</u>
2017	\$48,810	\$13,437	16,732
2018	48,810	13,437	16,732
2019		13,437	
2020		13,437	
2021		13,437	
2022-2026		107,795	
Total	<u>\$97,620</u>	<u>\$ 174,980</u>	<u>\$33,464</u>

Note 11 – Joint Venture

The Newton Falls Joint Fire District (the District) provides fire protection and rescue services within the District and by contract to areas outside the District. The District is composed of the territories within Newton Township and the Village of Newton Falls. The District is under the management of a five member board. The Board members for the District are appointed by the Township Trustees and Village of Newton Falls Council. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three year term on the District Board. The final member of the Board is also appointed by the political subdivisions to serve a three year term. The final member's selection alternates between a resident of the Township and the Village. The District in large part is funded by voter approved property tax receipts. The Township and Village, per agreement, also provide funding to the District. For the year 2016, the Village and Township provided \$79,693 and \$82,241 to the District.

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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*

Newton Falls Joint Fire District
Trumbull County
19 North Canal Street
Newton falls, OH 44444

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 by fund type of the Newton Falls Joint Fire District, Trumbull County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 23, 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 material weaknesses and significant deficiencies.

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 's financial statements. We consider findings 2017-001 and 2017-007 through 2017-010 described in the accompanying schedule of findings to be material weaknesses.

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 findings 2017-002 and 2017-011 described in the accompanying schedule of findings to be significant deficiencies.

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 through 2017-006.

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

July 23, 2019

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

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

1. Improper Transfers

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 generally only allow transfers from the general fund. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the general fund may be made by resolution of the taxing authority.

In 2016, the District's accounting system showed total net transfers into the General Fund of \$49,462 and total net transfers into the EMS Fund of \$16,260. These are the District's only funds. It was improper to transfer any monies out of the EMS Fund to the General Fund. The sum of these amounts (\$62,159) was shown on the financial statements as EMS other expenses. None of the transfers were approved by the District Board. The District's financial statements have been adjusted accordingly and the District has also adjusted their accounting system fund balances to move \$33,202 from the General Fund to the EMS Fund, which represents the net effect of monies moved improperly from the EMS Fund to the General Fund.

In 2017, the District improperly transferred \$76,171 from the EMS Fund to the General Fund by posting a disbursement to the EMS Fund and a miscellaneous receipt in the General Fund. The error occurred in the accounting system when monies were trying to be moved between District bank accounts. The District's financial statements have been adjusted accordingly and the District has also adjusted their accounting system fund balances to move the \$76,171 from the General Fund to the EMS fund.

The District should only make transfers as allowed by the aforementioned code sections.

2. Budgetary Issues

<i>Finding Number</i>	2017-002
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

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. Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Ohio Rev. Code § 5705.36 states that 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. The amount certified shall include any unencumbered balances that existed at the end of the preceding year

For 2017, the District passed appropriations on December 28, 2016 that were included in their temporary budget. No permanent budget or amended appropriations were ever passed in 2017 by the Board. In addition, District did not certify to the County Auditor all sources of revenue available for expenditure from each fund or file any appropriations. Therefore, the County Auditor did not issue a certificate to the District in 2017 that total appropriations from each fund do not exceed the total official estimate.

The District did not have adequate controls in place to prevent or detect these errors.

The District should ensure it passes appropriations and budgets as well as amended certificates of estimated resources as needed. The District should also certify the necessary budget information to the County as required by the aforementioned revised code sections.

3. Filing of Annual Financial Report

<i>Finding Number</i>	2017-003
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NONCOMPLIANCE

Ohio Rev. Code §117.38 requires each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state (AOS) within sixty days after the close of the fiscal year for cash basis entities.

Auditor of State Bulletin 2015-007 requires regulatory cash basis entities to file with AOS electronically via the Hinkle Financial Data Reporting System (Hinkle System) their basic financial statements. These basic financial statements should include the following:

- Statement(s) or (Combined Statement(s)) of Receipts, Disbursements, and Changes in Fund Balances - Governmental, Proprietary, and Fiduciary, as applicable.
- Notes to the Basic Financial Statements.

The District was declared unauditible on May 2, 2018 because their 2016 and 2017 financial statements and notes to the financial statements had not been filed via the Hinkle filing system. The District subsequently filed their 2017 basic financial statements on June 6, 2018. However, the filing was an accounting system budget versus actual report that was not in a proper financial statement format and it did not include beginning and ending fund balances. In addition, the notes to the financial statements were incomplete. The District filed their 2016 basic financial statements on June 26, 2018, and refiled their 2017 basic financial statements on June 28, 2018. Upon filing, we noted the District's 2016 and 2017 Combined Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances still did not include beginning fund balances and ending fund balances had not been presented in accordance with Generally Accounting Standards Board Statement No. 54. Additionally, the notes to the financial statements lacked completed budget versus actual disclosures.

The District did not have adequate controls in place to help prevent or detect the noncompliance and incomplete filings.

The District should file the complete annual financial report via the Hinkle System within 60 days of year end and in the proper format.

4. Expenditures exceed Appropriations

<i>Finding Number</i>	2017-004
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NONCOMPLIANCE

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level for all funds.

The EMS fund had accounting system expenditures in excess of appropriations at December 31, 2017 as follows:

<u>Appropriations</u>	<u>Expenditures</u>	<u>Difference</u>
\$416,627	\$461,952	(\$ 43,325)

By not budgeting properly, the District overspent compared to its budget. The District's control procedures failed to prevent this non-compliance.

The District should verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements.

5. Destruction of Records

<i>Finding Number</i>	2017-005
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NONCOMPLIANCE

Ohio Rev. Code Section 149.351 requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

In 2016, the District did not maintain validated bank deposit slips. In addition, the District did not maintain non-payroll cash disbursement records. Invoices and bank-cleared checks could not be provided for January through November 2016. Eighteen of the twenty-two non-payroll disbursements tested were missing key documentation needed for testing. As a result, supporting documentation was obtained directly from vendors. Also missing for 2016 were Board resolutions 3, 6, and 7.

The District lacked the adequate controls to make sure records were properly maintained.

The District should maintain all records in accordance with the above Ohio Revised Code section.

6. Finding for Recovery - Penalties on Late Payments

<i>Finding Number</i>	2017-006
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NONCOMPLIANCE

The District's former Fiscal Officer was responsible for withholding and remitting the required pension contributions from District employee earnings and paying lease and loan obligations timely. During the audit period, the former Fiscal Officer withheld, as required, Federal taxes and Ohio Public Employees Retirement System (OPERS) contributions from the earnings of each District employee. However, the former Fiscal Officer failed to transmit all required funds to the Federal government and retirement system in a timely manner.

As a result, the District incurred penalties, late fees, and interest that were paid by the District as follows:

- For 2016 (total of \$431)
 - \$386 for equipment lease late payment penalties,
 - \$45 Ohio Public Employee Retirement system late payment penalties.
- For 2017 (total of \$7,612)
 - \$278 for equipment lease late payment penalties,
 - \$100 for building renovation loan late payment fee,
 - \$6 for Ohio Public Employee Retirement system late payment penalties,
 - \$7,228 for Internal Revenue Service penalties and interest.

The penalties and interest incurred by the District serve no proper public purpose and could have been avoided had the funds been remitted as required by law.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joseph Sosnowski, the former Fiscal Officer, and VFIS, the District's insurance company, jointly and severally, and in favor of the Newton Falls Joint Fire District General Fund in the amount of \$151 and the EMS Fund in the amount of \$7,892.

The District should be making timely payments on all obligations. Failing to make timely payments, could result in unnecessary and excessive disbursements.

7. Ohio Billing- CUECC

<i>Finding Number</i>	2017-007
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MATERIAL WEAKNESS

The District contracts with Ohio Billing which acts as an outside processing service organization. Ohio Billing processes the District's ambulance and EMS billings and maintains the accounts receivable balances. Ohio Billing provides an annual SOC 1 report with Complimentary Entity User Control Considerations. Ohio Billing recommends the following control procedures:

- Ensuring that only authorized and properly trained personnel are allowed physical and logical access to patient information;
- Review of the annually prepared Client Profile Update and notifying Ohio Billing of any changes in a timely manner;
- Notifying Ohio Billing of changes in the authorized contacts list;
- Accuracy and completeness of the data submitted for billing;
- Reviewing the reports produced by Ohio Billing after initial account setup, which provides a listing of each services billing rate, to ensure that service billing rate information has been processed completely and accurately;
- Submitting billing data in accordance with the mutually agreed upon schedule;
- The completeness and accuracy of client-specified procedures;
- Reviewing the completeness and accuracy of the accounts receivable reports that are produced by Ohio Billing;
- The timely depositing of funds upon receipt from service recipients;
- If applicable, reviewing collection status and providing instructions on collection process to initiate;
- Reconciling Ohio Billing monthly reports to internal accounting records on a timely basis each month

The District did not perform a monthly review over the completeness and accuracy of Ohio Billing Accounts Receivable reports or perform a reconciliation of the monthly reports to internal accounting records as recommended.

The District should review the annual Standards for Attestation Engagements SOC 1 report for Ohio Billing. The District should implement policies and procedures that address the applicable SOC 1 Report Complimentary Entity User Control Considerations. The District should perform monthly reviews of Ohio Billing reports to help ensure all billings are complete and accurate. The District should also reconcile the monthly reports to internal accounting records.

8. 2016 Financial Statement Errors

<i>Finding Number</i>	2017-008
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MATERIAL WEAKNESS

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

The control procedures over the review of receipt and disbursement transactions and financial statement reporting, failed to recognize the following errors in 2016 because the District's procedures were inadequate. The financial statements have been adjusted for these errors:

- The District received State homestead and rollback receipts in the amount of \$16,198 for their EMS Fund; however, the District improperly posted \$15,812 as property tax receipts to the EMS fund. The remaining \$386 was improperly posted to the District's General Fund. The District has also adjusted their accounting system fund balances to move the \$386 from their General Fund to their EMS fund.
- The District improperly recorded \$5,025 of General Fund debt principal as capital outlay. However the financial statements improperly only reported General Fund interest and fiscal charges of \$13,537. Actual principal and interest paid was \$11,731 and \$6,706 respectively. Special Revenue debt principal of \$62,159 was improperly posted as capital outlay. However the financial statements did not report any debt principal or interest. Actual principal and interest paid was \$62,922 and \$2,620, respectively.
- The 2016 financial statements did not include beginning fund balances. In addition, ending fund balances were not accurate when beginning fund balances were added, and ending fund balances were not presented in accordance with Government Auditing Standards Board statement No. 54.

The control procedures over the review of receipt and disbursement transactions and financial statement reporting, failed to recognize the following errors in 2016 because the District's procedures were inadequate. The financial statements have not been adjusted for these errors:

- The District recorded \$98 as property taxes in the General Fund when it was not a property tax receipt.
- The District recorded incorrect amounts for County property tax collection disbursements.

Incorrect transactions can lead to inaccurate financial statements.

The District should improve its control procedures to help ensure all amounts are properly recorded in the accounting system and related financial statements.

9. 2017 Financial Statement Errors

<i>Finding Number</i>	2017-009
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MATERIAL WEAKNESS

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

The control procedures over the review of receipt and disbursement transactions and financial statement reporting, failed to recognize the following errors in 2017 because the District's procedures were inadequate. The financial statements have been adjusted for these errors:

- The District improperly recorded all homestead and rollback, non-business credits, and owner occupied credit monies of \$30,736 in the General Fund and misposted \$15,561 as property taxes receipts and \$15,175 as miscellaneous receipts. These monies should have been posted as intergovernmental receipts in the General Fund and EMS Fund for \$14,992 and \$15,744, respectively. The District has also adjusted their accounting system fund balances to move the total of \$15,744 from the General Fund to the EMS fund.
- The District improperly recorded State trauma and emergency medical monies of \$3,530 and \$4,770 as General Fund miscellaneous receipts and General Fund property taxes, respectively, instead of EMS Fund intergovernmental receipts. The District has also adjusted their accounting system fund balances to move the total of \$8,300 from the General Fund to the EMS fund.
- The District did not always properly record property tax receipts at the net amount received from the County instead of the gross amount from the County settlement sheet with a corresponding disbursement for the auditor/treasurer fees. This resulted in property tax revenue and corresponding disbursements being understated in the General Fund and EMS Fund by \$2,193 and \$2,368, \$4,887 and \$4,644, respectively.
- The 2017 financial statements did not include beginning fund balances. In addition, ending fund balances were not accurate when beginning fund balances were added, and ending fund balances were not presented in accordance with Government Auditing Standards Board statement No.54.
- The District did not post or report on their financial statements General Fund debt principal and interest of \$7,037 and \$6,400, respectively. In addition, Special Revenue debt principal was improperly reported as repairs and maintenance and capital outlay of \$48,725 and \$16,731, respectively. Actual principal and interest paid was \$63,510 and \$1,946, respectively.
- The District improperly recorded as a receipt the billed amount to ambulance customers in the EMS Fund. As a result, charges for services receipts in the EMS Fund were overstated by \$156,369 in the accounting system and financial statements.
- Two disbursements were misposted to the wrong fund including a total of \$34,996 posted to the EMS fund that should have been posted to the General Fund. The District has also adjusted these fund balances on their accounting system.

- General Fund charges for services receipts on the financial statements was \$101,847, however, it should have been \$117,346. This was a result of the following:
 - A \$61,981 payment from the Village of Newton Falls for fire services was improperly shown as intergovernmental revenue,
 - A \$39,847 payment from the Village of Newton Falls was improperly included even the District had already recorded the same payment in 2016, and
 - \$6,635 of unidentified amounts were improperly reported as charges for services.

In addition, the amount received by the District from the Village was \$147.28 less than the contract amount for 2017. The District should seek payment for this shortage.

Incorrect transactions can lead to inaccurate financial statements.

The District should improve its control procedures to help ensure all amounts are properly recorded in the accounting system and related financial statements.

10 Timely Deposits and Posting

<i>Finding Number</i>	2017-010
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MATERIAL WEAKNESS

Ohio law requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Ohio law does not require the fiscal officer to deposit receipts with the designated depository on the business day following the day of receipt, or any other specified time. However, fiscal officers should not hold significant amounts of cash and checks for an unreasonable period of time.

We noted in 2016, the District received a check from Trumbull County that was issued April 6, 2016 in the amount of \$203,402. The receipt was not posted or deposited with the bank until April 25, 2016. We also noted the District recorded a fire service payment of \$39,847 on December 2, 2016. However, the District did not deposit the money until February 2017. The 2016 and 2017 financial statements have been adjusted for the \$39,847 amount to present these monies as revenue in 2016.

The District did not have adequate procedures in place to help prevent or detect these errors.

The District should deposit and post all transactions in a timely manner to help ensure safeguarding of assets and the availability of current financial information.

11 Bank versus Accounting System Reconciliations

<i>Finding Number</i>	2017-011
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SIGNIFICANT DEFICIENCY

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.

In 2016 the former fiscal officer and in 2017 an outside company were responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board was responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not reviewed each month of 2016 and 2017. Failure to review reconciliations monthly increases the possibility of inaccurate monthly reconciliations, which increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The following differences were noted when reviewing the December 2016 bank to book reconciliations and the financial statements:

- The District's bank reconciliation showed total bank balances of \$591,569, however, total bank balances should have been \$631,416, since the District recorded the second half fire service payment of \$39,847 from the Village of Newton Falls on December 2, 2016 but did not deposit the money until February 2017. This item was not shown on the December 31, 2016 bank to book reconciliation as a reconciling item.
- The District's accounting system showed total fund balances at year-end of \$616,095, however, actual total bank balances were \$631,416. Total fund balances on the audited financial statements are \$592,851. Therefore, the District was not reconciled at December 31, 2016 by \$14,323.

The following difference was noted when reviewing the December 2017 bank to book reconciliation and financial statements:

- District's bank reconciliation showed total bank balances of \$580,024, however, actual total bank balances were \$607,175. The District's accounting system total fund balances were \$606,584. Total fund balances on the audited financial statements are \$612,878. The District was not reconciled at December 31, 2017 by \$5,703

There should not be unexplained differences between bank, accounting system, and financial statement balances. If unexplained differences continue in the future, possible findings for recoveries could be made for such differences. The District's accounting system and financial statements have not been adjusted for the above errors.

The District's outstanding check list reflected stale dated checks for the audit period. Such checks could increase the possibility that errors may occur and not be detected in a timely manner. Outstanding checks of six months or more should be deleted from the outstanding check list; a stop payment order should be issued; and the amount of the check should be reentered into an unclaimed money fund. A historical record of these checks should be maintained as adequate record of any subsequent claims. Removing the checks from the outstanding check list may increase the efficiency and help ensure the accuracy of the reconciliation process. Further, policies and procedures for the disposition of these old outstanding checks should be established and implemented pursuant to Ohio Rev. Code Section 9.39 (Auditor of State Management Advisory Service bulletin 91-011).

The District's acting 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.

Official's Responses: The District did not provide any responses.

**NEWTON FALLS JOINT FIRE DISTRICT
19 NORTH CANAL STREET
NEWTON FALLS, OH 4444**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Destruction of Records	Not Corrected	Repeated as Finding 2017-005
2015-002	Finding for Recovery - Penalties on Late Payments	Not Corrected	Repeated as Finding 2017-006
2015-003	Appropriations Limited by Estimated Revenue	Not Corrected	Repeated as Finding 2017-002
2015-004	Actual Expenditures Exceeded Appropriations	Not Corrected	Repeated as Finding 2017-004
2015-005	Improper Posting of Receipts, Disbursements, Fund Balances, and Note Disclosures	Not Corrected	Repeated as Findings 2017-008 and 2017-009
2015-006	Integrated Budgetary Accounting System	Corrected	
2015-007	Bank versus Accounting System Reconciliations	Not Corrected	Repeated as Finding 2017-011
2015-008	District's ambulance and ems billings	Not Corrected	Repeated as Finding 2017-007

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OHIO AUDITOR OF STATE KEITH FABER



**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL 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
NOVEMBER 19, 2019**