



OHIO AUDITOR OF STATE
KEITH FABER



**WESTERN RESERVE JOINT FIRE DISTRICT
MAHONING COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Western Reserve Joint Fire District
Mahoning County
111 South Main Street
Poland, Ohio 44514

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 the Western Reserve Joint Fire District, Mahoning County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Western Reserve Joint Fire District, Mahoning County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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

December 10, 2019

WESTERN RESERVE JOINT FIRE DISTRICT
Mahoning County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

| | <u>All Fund Types</u> | | Totals (Memorandum Only) |
|---|-----------------------|-----------------------------|--------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | |
| Cash Receipts | | | |
| Property and Other Local Taxes | 554,437 | 306,018 | 860,455 |
| Intergovernmental | 425,694 | 51,544 | 477,238 |
| Earnings on Investments | 15,093 | - | 15,093 |
| Miscellaneous | 49,247 | - | 49,247 |
| <i>Total Cash Receipts</i> | <u>1,044,471</u> | <u>357,562</u> | <u>1,402,033</u> |
| Cash Disbursements | | | |
| Current Disbursements: | | | |
| Security of Persons and Property: | | | |
| Salaries | 307,189 | - | 307,189 |
| Other | 294,849 | - | 294,849 |
| Capital Outlay | 1,701,835 | 193,615 | 1,895,450 |
| <i>Total Cash Disbursements</i> | <u>2,303,873</u> | <u>193,615</u> | <u>2,497,488</u> |
| <i>Excess Receipts Over (Under) Disbursements</i> | <u>(1,259,402)</u> | <u>163,947</u> | <u>(1,095,455)</u> |
| Other Financing Receipts (Disbursements) | | | |
| Proceeds of Notes | 1,189,533 | - | 1,189,533 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>1,189,533</u> | <u>-</u> | <u>1,189,533</u> |
| <i>Net Change in Fund Cash Balance</i> | (69,869) | 163,947 | 94,078 |
| <i>Fund Cash Balances, January 1</i> | <u>358,689</u> | <u>343,230</u> | <u>701,919</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 507,177 | 507,177 |
| Assigned | 288,820 | - | 288,820 |
| Unassigned (Deficit) | - | - | - |
| <i>Fund Cash Balances, December 31</i> | <u>288,820</u> | <u>507,177</u> | <u>795,997</u> |

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

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Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Western Reserve Joint Fire District, Mahoning County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints two members and one citizen. Those subdivisions are Poland Township and Poland Village. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project funds:

Capital Levy Funds – This fund accounts for and reports receipts from a Capital Improvement Levy restricted for capital outlay projects or to make payments on loan advances for capital projects.

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.

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, department and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The District's accounting basis includes investments (only from repurchase agreement) 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.

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.

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned 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 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$2,192,161 | \$2,234,004 | \$41,843 |
| Capital Projects | 359,292 | 357,562 | (1,730) |
| Total | \$2,551,453 | \$2,591,566 | \$40,113 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,545,733 | \$2,407,326 | \$138,407 |
| Capital Projects | 695,000 | 269,547 | 425,453 |
| Total | \$3,240,733 | \$2,676,873 | \$563,860 |

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – 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:

| | 2018 |
|--------------------------------|-----------|
| Cash on Hand | \$ 250 |
| Demand deposits | (41,648) |
| Total deposits | (41,398) |
| Repurchase agreement | 837,395 |
| Total investments | 837,395 |
| Total deposits and investments | \$795,997 |

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.

Investments

The District’s financial institution transfers securities to the District’s agent to collateralize repurchase agreements. The securities are not in the District’s name.

Note 5 – Taxes

Property Taxes

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

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

Note 6 – Risk Management

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).

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Clerical employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Social Security

Fire and medical 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, 2018.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent to fund these benefits.

Note 9 – Subsequent Events

On April 16, 2018, the District received a loan from Farmers National Bank for the purchase of a fire ladder truck in the amount of \$1,189,533. Payments start on April 15, 2019 with the outstanding principal balance together with any unpaid interest payable on April 11, 2023.

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WESTERN RESERVE JOINT FIRE DISTRICT
Mahoning 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

| | <u>All Fund Types</u> | | Totals (Memorandum Only) |
|---|-----------------------|-----------------------------|--------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | |
| Cash Receipts | | | |
| Property and Other Local Taxes | 550,823 | 304,670 | 855,493 |
| Intergovernmental | 101,567 | 52,712 | 154,279 |
| Earnings on Investments | 747 | - | 747 |
| Miscellaneous | 28,560 | - | 28,560 |
| <i>Total Cash Receipts</i> | <u>681,697</u> | <u>357,382</u> | <u>1,039,079</u> |
| Cash Disbursements | | | |
| Current Disbursements: | | | |
| Security of Persons and Property: | | | |
| Salaries | 285,447 | - | 285,447 |
| Other | 318,047 | - | 318,047 |
| Capital Outlay | 95,469 | 138,431 | 233,900 |
| Debt Service: | | | |
| Principal Retirement | - | 265,712 | 265,712 |
| Interest and Fiscal Charges | - | 6,805 | 6,805 |
| <i>Total Cash Disbursements</i> | <u>698,963</u> | <u>410,948</u> | <u>1,109,911</u> |
| <i>Excess Receipts Over (Under) Disbursements</i> | <u>(17,266)</u> | <u>(53,566)</u> | <u>(70,832)</u> |
| <i>Net Change in Fund Cash Balance</i> | (17,266) | (53,566) | (70,832) |
| <i>Fund Cash Balances, January 1</i> | <u>375,957</u> | <u>396,795</u> | <u>772,752</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 343,230 | 343,230 |
| Assigned | 353,572 | - | 353,572 |
| Unassigned (Deficit) | 5,117 | - | 5,117 |
| <i>Fund Cash Balances, December 31</i> | <u>\$358,689</u> | <u>\$343,230</u> | <u>\$701,919</u> |

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

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Western Reserve Joint Fire District
Mahoning 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 Western Reserve Joint Fire District, Mahoning County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints two members and one citizen. Those subdivisions are Poland Township and Poland Village. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant capital project funds:

Capital Levy Funds – This fund accounts for and reports receipts from Capital Improvement Levy restricted for capital outlay projects or to make payments on loan advances for capital projects.

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.

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, department and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

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

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

A summary of 2017 budgetary activity appears in Note 3.

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.

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.

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned 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 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$681,696 | \$681,696 | \$0 |
| Capital Projects | 357,382 | 357,382 | 0 |
| Total | \$1,039,078 | \$1,039,078 | \$0 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,036,943 | \$810,240 | \$226,703 |
| Capital Projects | 750,000 | 410,948 | 339,052 |
| Total | \$1,786,943 | \$1,221,188 | \$565,755 |

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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 |
|--------------------------------|-------------------------|
| Cash on Hand | \$ 250 |
| Demand deposits | 17,676 |
| Total deposits | <u>17,926</u> |
| Repurchase agreement | 683,993 |
| Total investments | <u>683,993</u> |
| Total deposits and investments | <u><u>\$701,919</u></u> |

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.

Investments

The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

Note 5 – Taxes

Property Taxes

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

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

Note 6 – Risk Management

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).

Western Reserve Joint Fire District
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Clerical employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

Social Security

Fire and medical 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 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent to fund these benefits.

Note 9 – Subsequent Events

On April 16, 2018, the District received a loan from Farmers National Bank for the purchase of a fire ladder truck in the amount of \$1,189,533. Payments start on April 15, 2019 with the outstanding principal balance together with any unpaid interest payable on April 11, 2023.

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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**

Western Reserve Joint Fire District
Mahoning County
111 South Main Street
Poland, Ohio 44514

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 Western Reserve Joint Fire District, Mahoning County, (the District) as of and for the s ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019, wherein we noted the Fire District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Fire District's Response to Finding

The Fire District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Fire District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

December 10, 2109

**WESTERN RESERVE JOINT FIRE DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

1. Financial Reporting

FINDING NUMBER 2018-001

MATERIAL WEAKNESS

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

Governmental Accounting Standards Board (GASB) Statement No. 54 provides clear fund balance classifications that should be consistently applied. The District's financial statements follow GASB 54; however, they did not use proper classifications for all of their fund balances.

In 2017, the District incorrectly reported \$318,047 in expenditures as Salaries that should have been reported as Other expenditures in the General Fund. In the Capital Projects Fund, the District incorrectly reported \$410,948 as Capital Outlay that should have been reported as \$265,712 in Principal and \$6,805 as Interest.

| 2017 Expenditure | General Fund | Capital Projects |
|-----------------------------|---------------------|-------------------------|
| Salaries | (318,047) | (138,431) |
| Other | 318,047 | |
| Capital Outlay | | (134,086) |
| Principal Retirement | | 265,712 |
| Interest and Fiscal Charges | | 6,805 |
| Total | 0 | 0 |

In 2018, the District incorrectly reported \$294,849 in expenditures as Salaries that should have been reported as Other expenditures in the General Fund. Also, in 2018, the General Fund fund balance was classified entirely as unassigned. However, \$288,820 should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount.

| 2018 Line Item | General Fund |
|---------------------------|---------------------|
| Salaries | (294,849) |
| Other | 294,849 |
| Assigned Fund Balance | 288,820 |
| Unassigned Fund Balance | (288,820) |
| Total | 0 |

The accompanying financial statements reflect the above adjustments.

To help ensure the Fire District's financial statements are complete and accurate, the Fire District should adopt policies and procedures to identify and correct errors and omissions. In addition the Fire District should review the financial statements and notes prior to submission for audit.

The District should also adopt policies and procedures to help ensure fund balances are properly classified in accordance with GASB 54. Additional guidance is also available in Auditor of State Bulletin 2011-004.

Official's Response: Issue will be corrected and we will ensure amounts are reported properly going forward.

OHIO AUDITOR OF STATE
KEITH FABER



WESTERN RESERVE JOINT FIRE DISTRICT

MAHONING 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
DECEMBER 26, 2019**