



**NEWTON FALLS FIRE DISTRICT  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1998-1997**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



## TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 1998 and December 31, 1997 .....	3
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	7
Schedule of Findings .....	9

**THIS PAGE INTENTIONALLY LEFT BLANK**



## REPORT OF INDEPENDENT ACCOUNTANTS

Newton Falls Fire District  
Trumbull County  
19 North Canal Street  
Newton Falls, Ohio 44444

To the Board of Fire District Trustees:

We have audited the accompanying financial statements of Newton Falls Fire District, Trumbull County, (the Fire District) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not provided the Record of Board of Fire District Trustees Proceedings ("minutes") for 1997. We are unable to determine if the Fire District's activities were legally approved or memorialized during 1997 as a result. Further, we were not provided hourly employees' time sheets for 1997. Therefore, the Fire District could not adequately document and support that the amount reported in the accompanying financial statements for personal services disbursements for 1997 reflects payments for actual services rendered by hourly employees during 1997.

As discussed in Note 1, the Fire District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient documentation supporting personal services disbursements for 1997, and except for the effects of such adjustments or disclosures, if any, as might have been necessary had we been able to determine if the Fire District's activities were legally approved or memorialized during 1997, as described in the second preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of Newton Falls Fire District, Trumbull County, as of December 31 1998 and 1997, and its cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2000 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, Board of Fire District Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

May 2, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES -  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<b>1998</b>	<b>1997</b>
<b>Cash Receipts:</b>		
Ambulance - Charges for Services	\$101,014	\$91,801
Village of Newton Falls Subsidies	48,216	46,814
Newton Township Subsidies	37,704	36,606
Grants	1,032	
Earnings on Investments	3,181	2,845
Miscellaneous Cash Receipts	9,620	118
 Total Cash Receipts	 200,767	 178,184
<b>Cash Disbursements:</b>		
Personal Services	80,923	65,568
Employee Benefits	12,007	14,085
Contractual Services	68,408	41,314
Supplies and Materials	13,867	7,642
Capital Outlay	11,904	47,102
Debt Service	10,461	1,743
Miscellaneous Cash Disbursements	1,474	980
 Total Cash Disbursements	 199,044	 178,434
 Excess of Cash Receipts Over/ (Under Cash Disbursements)	 1,723	 (250)
<b>Other Financing Sources:</b>		
Proceeds of Notes		20,075
 Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	 1,723	 19,825
 Cash Balances, January 1	 61,493	 41,668
 <b>Cash Balances, December 31</b>	 <b>\$63,216</b>	 <b>\$61,493</b>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Newton Falls Fire District, Trumbull County, (the Fire District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by a five-member Board of Fire District Trustees who are appointed by the Board of Township Trustees of Newton Township and Village Council of the Village of Newton Falls. The Fire District provides fire protection and emergency medical services for the citizens of Newton Township and the Village of Newton Falls.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Property, Plant and Equipment**

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

**D. BUDGETARY PROCESS**

The Board of Fire District Trustees currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the Fire District, regardless of whether the Fire District levies property taxes. The Fire District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

**2. EQUITY IN POOLED CASH**

The Ohio Revised Code prescribes the Fire District's allowable deposits. The carrying amount of cash at December 31, 1998 and 1997 was \$63,216 and \$61,493, respectively.

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. DEBT OBLIGATION**

The Fire District issued a twenty-four month, \$20,075, 4.02%, general obligation note in 1997 for purchasing an ambulance. The terms of the note require monthly payments, including applicable interest and fiscal charges, through 1999. The Fire District pays the note obligations from ambulance service charges. The outstanding principal on the note as of December 31, 1998 is \$8,875.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**4. RETIREMENT SYSTEMS**

The Fire District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes PERS contribution rates. For 1997 and 1998, PERS requires members to contribute 8.5% of their gross salaries. The Fire District also contributed an amount equal to 13.55% of participants' gross salaries. The Fire District has paid all contributions required through December 31, 1998.

Effective July 1, 1991, volunteer firefighters not otherwise covered by the Public Employees Retirement System or the Police and Firemen's Disability and Pension Fund are covered by Social Security. For the period January 1, 1997 through December 31, 1998, the Fire District's volunteer firefighters who are covered by Social Security contributed 6.2% of their gross salary with the Fire District contributing an equal amount of 6.2% of the gross salaries. The Fire District has paid Social Security for all contributions required through December 31, 1998.

**5. RISK MANAGEMENT**

The Fire District has obtained commercial insurance for the following risks:

- General liability and casualty package
- Errors and omissions package
- Vehicle package
- Health package



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West , Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949

## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Newton Falls Fire District  
Trumbull County  
19 North Canal Street  
Newton Falls, Ohio 44444

To the Board of Fire District Trustees:

We have audited the accompanying financial statements of Newton Falls Fire District, Trumbull County, (the Fire District) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 2, 2000 which is qualified due to a lack of documentation supporting payroll disbursements for 1997 and the lack of the Record of Board of Fire District Trustees Proceedings ("Minutes") for 1997. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1998-31178-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Fire District in a separate letter dated May 2, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fire District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 1998-31178-001 and 1998-31178-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1998-31178-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Fire District in a separate letter dated May 2, 2000.

This report is intended for the information and use of management and Board of Fire District Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**Jim Petro**  
Auditor of State

May 2, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1997**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 1998-31178-001**

**Noncompliance Citation  
Material Weakness**

**Ohio Revised Code § 149.351(A)** provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the record commissions provided under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. Also, **Ohio Revised Code § 149.43(B)** provides that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, governmental units shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Management asserted that it could not locate the Record of Board of Fire District Trustees Proceedings ("Minutes") and the employees' payroll time sheets for 1997. Also, the following Fire District records for 1997 and 1998 were not promptly prepared and/or made available for inspection within a reasonable period including, but not limited to:

- Chart of accounts;
- Annual financial report for 1997;
- Cash journal;
- Receipt and appropriation ledgers;
- Depository statements;
- Supporting financial reports (i.e. cash reconciliations);
- 1998 Record of Board of Fire District Trustees Proceedings ("Minutes");
- Ambulance run reports;
- Depository agreements.

The Fire District's accounting system was deficient in many areas because certain of the above financial records were not promptly prepared. Originally, because of these deficiencies, the financial records had to be reconstructed to prepare the financial statements. Further, these deficiencies existed in the prior audit period.

We recommend that the Board of Fire District Trustees carefully review this matter and create policies and/or procedures that ensure the Fire District's financial records are prepared timely which would facilitate the Board's monitoring of the Fire District's financial activity and provide the Board necessary information to manage the Fire District. Furthermore, these policies and/or procedures may also assist the Fire District in complying with certain applicable Revised Code provisions.

## FINDING NUMBER 1998-31178-002

### Reportable Condition

The Fire District has not established an audit committee. The National Commission on Fraudulent Financial Reporting (known as the Treadway Commission), has stated that audit committees could serve as “informed, vigilant, and effective overseers of the financial reporting process and internal controls”. Audit committees could also serve in identifying applicable laws and regulations and ensure compliance of the same. An audit committee for the Fire District should perform, but is not limited to, the following functions:

- Review the annual unaudited financial report submitted to the Auditor of State. The review should include the preparation of analytics or a comparable mechanism to identify unusual and/or significant fluctuations in amounts reflected in the financial report as compared with prior financial reports;
- Periodically review the process used to prepare interim financial information submitted to the Board of Fire District Trustees. The review should include procedures that ensure transactions are posted to the appropriate fund and line-item in the Appropriation and Receipt Ledgers. Also, review the support for the monthly cash reconciliations;
- Review the Auditor of State’s *Ohio Compliance Supplement*, revised June 1999;
- Periodically review the process used to ensure compliance with laws and regulations applicable to the Fire District;
- Periodically review the process used to prevent, deter, and detect fraud;
- Review audit results;
- Assure that audit noncompliance citations and recommendations to management are appropriately addressed;
- Serve as a liaison between management and independent auditors.

We recommend the Board of Fire District Trustees establish an audit committee. The audit committee may include members of the Board and/or Management. However, including representation that is independent from appointed officials or management is preferable. The audit committee could include professionals knowledgeable in the Fire District’s operations and in accounting. The audit committee should meet regularly (perhaps quarterly) to monitor the Fire District’s financial reporting, compliance with applicable laws and regulations, and internal control activities of the same, and should meet with its independent auditors before and after each audit.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**NEWTON FALLS 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  
JUNE 6, 2000**