



**Auditor of State
Betty Montgomery**

NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Type – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Type – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Year Findings	14

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Newtown Falls Joint Fire District
Trumbull County
19 N. Canal Street
Newton Falls, Ohio 44444

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Falls Joint Fire District, Trumbull County (the "District") as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

As discussed in Note 1, the 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, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District as of December 31, 2002 and 2001, and its cash receipts and 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 March 31, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Newton Falls Joint Fire District
Trumbull County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 31, 2005

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Type
	General
Cash Receipts:	
Local Taxes	\$104,635
Intergovernmental	79,086
Charges for Services	164,180
Earnings on Investments	5,209
Miscellaneous	18,156
	371,266
Cash Disbursements:	
Current:	
Security of Persons and Property	129,931
General Government	69,361
Other	1,716
Debt Service:	
Redemption of Principal	29,350
Interest	1,975
Capital Outlay	301,367
	533,700
Total Receipts Over/(Under) Disbursements	(162,434)
Other Financing Receipts/(Disbursements):	
Proceeds from Sale of Public Debt:	
Sale of Notes	300,000
	300,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	137,566
Fund Cash Balances, January 1	99,982
Fund Cash Balances, December 31	\$237,548

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Type
	General
Cash Receipts:	
Local Taxes	\$103,993
Intergovernmental	100,401
Charges for Services	132,158
Earnings on Investments	2,326
Miscellaneous	10,547
	349,425
Cash Disbursements:	
Current:	
Security of Persons and Property	135,850
General Government	87,545
Debt Service:	
Redemption of Principal	15,386
Interest	2,664
Capital Outlay	100,632
	342,077
Total Receipts Over/(Under) Disbursements	7,348
Fund Cash Balances, January 1 (Restated - see Note 9)	92,634
Fund Cash Balances, December 31	\$99,982

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Falls Joint Fire District, Trumbull County, (the "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 District is directed by an appointed five-member Board of Trustees. Two Board of Trustee members are appointed by each political subdivision within the District. These subdivisions are Newton Township and Newton Falls City. On odd numbered years, Newton Falls City appoints an additional Trustee and on even numbered years Newton Township appoints an additional Trustee. 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.

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. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following type:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources.

D. Budgetary Process

The Ohio Revised Code requires that the General fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances at year end are cancelled at year end and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	2002	2001
Demand deposits	\$237,548	\$99,982
	237,548	99,982

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. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

	2002 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$593,952	\$671,266	\$77,314

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$689,704	\$533,700	\$156,004

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,837	\$349,425	\$51,588

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,886	\$342,077	\$44,809

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Note	300,000	3.69%
Rescue Vehicle Note	15,386	4.27%
Total	\$315,386	

The District issued a note to finance the purchase of a new pumper-tanker truck. The note was issued on December 4, 2001 in the amount of \$300,000 and the note matures on January 8, 2006. The note is collateralized solely by the District's taxing authority. The District passed a one mill levy for the purpose of purchasing equipment.

The District issued a noted to finance the purchase of a new rescue vehicle. The note was issued on May 7, 1999 in the amount of \$76,930 and matures on July 5, 2004. The note is collateralized solely by the District's taxing authority. The District passed a one mill levy for the purpose of purchasing equipment.

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

	General Obligation Notes
Year ending December 31:	
2003	\$103,096
2004	99,357
2005	80,535
2006	77,768
Total	\$360,756

6. RETIREMENT SYSTEMS

The District's fire fighters are part-time and belong to either Social Security or the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Effective July 1, 1991, volunteer firefighters not otherwise covered by the Public Employees Retirement System or the Police and Fireman's Disability and Pension Fund are covered by Social Security. For the period January 1, 2001 through December 31, 2002, the District's volunteer firefighters who are covered by Social Security contributed 6.2% of their gross salary with the District contributing an equal amount of 6.2% of the gross salaries. The District has paid Social Security for all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may be required to be refunded to the grantor agency. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. CHANGE IN FUND BALANCE

The District had a change in the previous fund balance for the year ending December 31, 2000. This fund balance change was due to an error in which the bank credited the District's account for \$3,585. The District added this amount to its fund balance after discussions with the bank. Therefore the following chart will explain the fund balance change from December 31, 2000 to January 1, 2001:

<u>Fund Type</u>	<u>12/31/00 Fund Cash Balance</u>	<u>Adjustment</u>	<u>01/01/01 Fund Cash Balance</u>
General	\$ 89,049	\$ 3,585	\$ 92,634

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE REQUIRED BY GOVERNMENT AUDITING STANDARDS

Newton Falls Joint Fire District
Trumbull County
19 N. Canal Street
Newton Falls, Ohio 44444

To the Board of Trustees:

We have audited the financial statements of Newton Falls Joint Fire District (the "District") as of and for the years ended December 31, 2002 and 2001 and have issued our report thereon dated March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance

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, and contracts, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

Newton Falls Joint Fire District

Trumbull County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
Required by *Government Auditing Standards*

Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery

Auditor of State

March 31, 2005

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Administrative Code section 117-2-02 (A) states, in part, that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions.

It was noted that the District's expenditure ledger did not agree with the District's financial statements for the years ended December 31, 2002 and 2001. As a result, we were unable to determine if the District's books reconciled with the bank statements at December 31, 2002 and 2001. We issued a 90 day letter dated June 30, 2003 stating that we were unable to complete the audit as a result of the aforementioned condition. Communication continued with the clerk each month thereafter to check the status of the reconciliation. After repeated attempts to obtain information to complete the audit failed, a deadline was given to the clerk and a meeting was set up to force the clerk to reconcile. The meeting was held in January, 2005. Corrections were subsequently made in January and February of 2005 to rectify this problem and as a result the audit for these years could be completed.

We recommend the Fire District Clerk maintain an accurate and complete expenditure ledger and that reconciliations be prepared on a regular basis.

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31178-001	Ohio Revised Code Section 5705.41(B), the Fire District expended money that was not appropriated	Yes	Corrected
2000-31178-002	Ohio Revised Code Section 5705.41 (D), the Fire District did not always certify funds when placing orders or making contracts.	Yes	Corrected



**Auditor of State
Betty Montgomery**

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**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
JUNE 23, 2005**