



Dave Yost • Auditor of State



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types FYE 12/31/16 .....	3
Notes to the Financial Statements FYE 12/31/16 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types FYE 12/31/15 .....	11
Notes to the Financial Statements FYE 12/31/15.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cardinal Joint Fire District  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

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 Cardinal Joint Fire District, Mahoning County, (the District) as of and for the years ended December 31, 2016 and 2015.

### ***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 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, 2016 and 2015, 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 combined cash balances of Cardinal Joint Fire District, Mahoning County as of December 31, 2016 and 2015, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2018, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 13, 2018

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$1,854,262		\$496,780	\$2,351,042
Charges for Services	20,227			20,227
Intergovernmental	284,061	\$2,000	106,720	392,781
Earnings on Investments	6,988		23,343	30,331
Licenses, Permits and Fees	3,452			3,452
Miscellaneous	14,457	3,657	171	18,285
<i>Total Cash Receipts</i>	<u>2,183,447</u>	<u>5,657</u>	<u>627,014</u>	<u>2,816,118</u>
<b>Cash Disbursements</b>				
Current Disbursements:				
Salaries	1,043,578			1,043,578
Fringe Benefits	258,439			258,439
Purchased Services	307,091			307,091
Materials and Supplies	56,914	2,000		58,914
Other	6,817		9,304	16,121
Capital Outlay	41,108		1,367,946	1,409,054
Debt Service:				
Principal Retirement			665,648	665,648
Interest and Fiscal Charges			15,941	15,941
<i>Total Cash Disbursements</i>	<u>1,713,947</u>	<u>2,000</u>	<u>2,058,839</u>	<u>3,774,786</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>469,500</u>	<u>3,657</u>	<u>(1,431,825)</u>	<u>(958,668)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Proceeds of Debt			1,400,000	1,400,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>1,400,000</u>	<u>1,400,000</u>
<i>Net Change in Fund Cash Balances</i>	469,500	3,657	(31,825)	441,332
<i>Fund Cash Balances, January 1</i>	<u>1,563,752</u>	<u>0</u>	<u>2,657,546</u>	<u>4,221,298</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		3,657	2,625,721	2,629,378
Unassigned (Deficit)	<u>2,033,252</u>			<u>2,033,252</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,033,252</u></u>	<u><u>\$3,657</u></u>	<u><u>\$2,625,721</u></u>	<u><u>\$4,662,630</u></u>

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

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**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Cardinal 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. Those subdivisions are made up of the City and Township of Canfield. 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.

***Special Revenue Fund*** This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

***EMS Fund*** This 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.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditures 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 Equipment Fund*** – 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.

***Capital Building Fund*** – This fund accounts for and reports receipts from loan proceeds and construction expenditures for the building of a new fire station.

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 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 2016 budgetary activity appears in Note 3.

***Deposit 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:

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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*** 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 December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,127,078	\$2,183,447	\$56,369
Special Revenue	0	5,657	5,657
Capital Projects	1,591,849	2,027,014	435,165
Total	\$3,718,927	\$4,216,118	\$497,191

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,824,648	\$1,713,947	\$110,701
Special Revenue	2,000	2,000	0
Capital Projects	3,673,000	2,058,839	1,614,161
Total	\$5,499,648	\$3,774,786	\$1,724,862

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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:

	<u>2016</u>
Demand deposits	<u>\$2,359,215</u>
Total deposits	<u>2,359,215</u>
Certificates of deposit	300,000
Repurchase agreement	2,003,415
Total investments	<u>2,303,415</u>
Total deposits and investments	<u>\$4,662,630</u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**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 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.

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**

***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 Police and Fire Retirement System***

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Defined Benefit Pension Plans (Continued)**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2016.

**Ohio Public Employees Retirement System**

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%, of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

Both OP&F and 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. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Construction Loan	\$934,352	2.572%
Construction Loan	400,000	2.761%
Total	\$1,334,352	

The District borrowed \$1,000,000 at 2.572% on a seven (7) year unsecured commercial loan from Farmers National Bank to build a new fire station.

The loan is to be paid back in semi-annual installments on October 26, 2016 and April 26, 2017 of principal and interest in the amount of \$78,508 and on the same day each year after. A final payment of the entire unpaid principal and interest will be due April 26, 2023.

The District borrowed \$400,000 at 2.761% on a ten (10) year unsecured commercial loan from Farmers National Bank to build a new fire station.

The loan is to be paid back in semi-annual installments on April 30, 2017 and October 31, 2017 of principal and interest in the amount of \$23,237.26 and on the same day each year after. A final payment of the entire unpaid principal and interest will be due October 31, 2026.

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 – Debt (Continued)**

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

Year ending December 31:	<u>Farmers Bank</u>
2017	\$203,491
2018	203,491
2019	203,491
2020	203,491
2021	203,491
2022-2026	467,898
Total	<u>\$1,485,353</u>

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$1,802,926		\$482,822	\$2,285,748
Charges for Services	20,973			20,973
Intergovernmental	97,922	\$3,000	32,473	133,395
Earnings on Investments			286	286
Licenses, Permits and Fees	4,357			4,357
Miscellaneous	4,885			4,885
<i>Total Cash Receipts</i>	<u>1,931,063</u>	<u>3,000</u>	<u>515,581</u>	<u>2,449,644</u>
<b>Cash Disbursements</b>				
Current Disbursements:				
Salaries	949,802			949,802
Fringe Benefits	235,196			235,196
Purchased Services	293,637			293,637
Materials and Supplies	58,854			58,854
Other	6,946		8,435	15,381
Capital Outlay	12,486	3,000	1,134,633	1,150,119
Debt Service:				
Interest and Fiscal Charges			9,243	9,243
<i>Total Cash Disbursements</i>	<u>1,556,921</u>	<u>3,000</u>	<u>1,152,311</u>	<u>2,712,232</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>374,142</u>	<u>0</u>	<u>(636,730)</u>	<u>(262,588)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Proceeds of Debt			600,000	600,000
Other Financing Sources			400,000	400,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
<i>Net Change in Fund Cash Balances</i>	374,142	0	363,270	737,412
<i>Fund Cash Balances, January 1</i>	<u>1,189,610</u>	<u>0</u>	<u>2,294,276</u>	<u>3,483,886</u>
<b>Fund Cash Balances, December 31</b>				
Restricted			2,657,546	2,657,546
Unassigned (Deficit)	<u>1,563,752</u>			<u>1,563,752</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,563,752</u></u>	<u><u>\$0</u></u>	<u><u>\$2,657,546</u></u>	<u><u>\$4,221,298</u></u>

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

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**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Reporting Entity**

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**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 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 2015 budgetary activity appears in Note 3.

***Deposit 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.

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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** 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 December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,007,652	\$1,931,063	(\$76,589)
Special Revenue	0	3,000	3,000
Capital Projects	553,475	1,515,581	962,106
Total	<u>\$2,561,127</u>	<u>\$3,449,644</u>	<u>\$888,517</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,674,252	\$1,556,921	\$117,331
Special Revenue	0	3,000	(3,000)
Capital Projects	3,589,500	1,152,311	2,437,189
Total	<u>\$5,263,752</u>	<u>\$2,712,232</u>	<u>\$2,551,520</u>

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**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:

	<u>2015</u>
Demand deposits	<u>\$1,923,502</u>
Total deposits	<u>1,923,502</u>
Certificates of deposit	300,000
Repurchase agreement	1,997,796
Total investments	<u>2,297,796</u>
Total deposits and investments	<u>\$4,221,298</u>

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**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 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.

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**

***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 Police and Fire Retirement System***

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

**Cardinal Joint Fire District**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 7 - Defined Benefit Pension Plans (Continued)**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2015.

**Ohio Public Employees Retirement System**

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%, of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**Note 8 – Postemployment Benefits**

Both OP&F and 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. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Equipment Loan	\$600,000	2.654%
Total	\$600,000	

The District borrowed \$600,000 at 2.654% on a one (1) year unsecured commercial loan from Farmers National Bank to purchase 2 new fire engines.

The loan is to be paid back in quarterly interest only installments of \$3,081 starting on June 16, 2015, September 16, 2015, December 16, 2015 and March 16, 2016. A final payment of the entire unpaid principal and interest will be due March 16, 2016.

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

	Farmers Bank
Year ending December 31: 2016	\$603,081
Total	\$603,081

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Cardinal Joint Fire District  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

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 Cardinal Joint Fire District, Mahoning County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 13, 2018 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 2016-001 and 2016-002.

***District's Response to Findings***

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

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 13, 2018

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Finding for Recovery – Penalties on Late Payments**

<b><i>Finding Number</i></b>	<b>2016-001</b>
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**NONCOMPLIANCE**

The District's Fiscal Officer is responsible for withholding and remitting the required income taxes and pension contributions from District employee earnings. During the audit period, the former Fiscal Officer failed to transmit all required funds to the appropriate entity, agency, or system in a timely manner. As a result, the District incurred penalties, and interest that were paid by the Fiscal Officer as follows:

- In 2016, the District paid penalties of \$667 and interest of \$70 to the City of Canfield Income Tax Department for failing to remit city income taxes in a timely manner.
- In 2016, the District paid penalties of \$1,150 to the Ohio Police & Fire Pension Fund for failing to remit retirement contributions in a timely manner.

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.

The law requires that employers withhold taxes from employees’ paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees’ share of FICA taxes and individual income taxes. See 26 U.S.C. 3102(a) and 3402(a). Those withholdings are considered to be held in “a special fund in trust for the United States.” 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee’s wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008). In addition, under Ohio law, employers are required to withhold state income taxes from employees’ wages and transmit the funds to the state, according to Ohio Rev. Code § 5747.06. Under Ohio Rev. Code § 5747.07(E)(2), each employer required to withhold any tax is liable for the payment of the amount required to be withheld and the amount shall be deemed to be a special fund in trust for the general revenue fund. The same rule applies with respect to municipal income taxes in Ohio. See Ohio Rev. Code § 718.03.

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 former Fiscal Officer Joseph Sosnowski and in favor of the Cardinal Joint Fire District , in the amount of \$1,887.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Atty. Gen. No. 80-074.

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

**Officials' Response:**

Appropriate check lists have been created to be sure all payments are being made timely. All deadlines are currently being met.

**2. Budgetary Citation**

<b>Finding Number</b>	<b>2016-002</b>
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**NONCOMPLIANCE**

**Ohio Revised Code Section 5705.39** provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the county budget commission. No appropriations measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Appropriations exceeded estimated resources in the following funds:

	<u>Total Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
<b>For 2015:</b>			
Equipment Fund	1,589,500	1,343,491	(246,009)
Building Fund	2,000,000	1,503,591	(496,409)
<b>For 2016:</b>			
EMS Fund	2,000	0	(2,000)

This situation may lead to disbursements within said funds exceeding the actual resources available.

We recommend that management monitor their budgetary cycle throughout the year to ensure that appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

**Officials' Response:**

Appropriations and Estimated Resources are currently being monitored on a monthly basis with amendments being recommended to the board if necessary.

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# Dave Yost • Auditor of State

**CARDINAL 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  
MAY 10, 2018**