

**NORTHWEST FIRE AND  
AMBULANCE DISTRICT**

**PREBLE COUNTY, OHIO**

**REGULAR AUDIT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018**





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Columbus, Ohio 43215  
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(800) 282-0370

Board of Trustees  
Northwest Fire & Ambulance District  
135 North Washington Street  
New Paris, Ohio 45347

We have reviewed the *Independent Auditor's Report* of the Northwest Fire & Ambulance District, Preble County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Ohio Supreme Court case *State ex rel McClure v. Hagerman*, 155 St. 320 (1951), along with Auditor of State Bulletin 2003-005 and Attorney General Opinion 82-006 set forth guidance as to the expenditure of funds for public purposes. The two criteria established under the Attorney General Opinion for determination of proper public purposes are that the expenditure is required for the general good of all inhabitants and the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. The decision of what constitutes a public purpose should be memorialized by a duly enacted ordinance or resolution of the Board that sets forth the policy of the District that has prospective effect only. Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The former Fiscal Officer, Cynthia Messick, was responsible for the following penalties and fees:

- Internal Revenue Service for \$1,933. This was paid by the District with Check #18044 related to penalties and interest assessed on the following withholding period September 30, 2018, December 31, 2018 and March 31, 2019.
- Cleveland Collection Agency for \$299. This was paid by the District with Check #18346 related to December 2017 withholding period.
- Ohio Department of Taxation for \$859 and \$486. This was paid by the District with Check #18340 and Check #18339, respectively, both related to tax year 2018.
- Ohio Public Employees Retirement System for \$211. There was penalties and interest assessed on May 2018 to November 2018 withholding periods which were paid via electronic fund transfer ranging from June 2018 to February 2019.
- During 2018, there was numerous penalties and interest related to credit cards and credit accounts at various vendors including Lowes, WEX Fleet Universal, Visa, and Century Link. The total of all penalties and interest was \$580.

Board of Trustees  
Northwest Fire & Ambulance District  
135 North Washington Street  
New Paris, Ohio 45347  
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The current Fiscal Officer, Carol McDermitt, was responsible for the following penalties and fees:

- Internal Revenue Service for \$264. This was paid by the District with Check #18457 related to penalties and interest for the withholding period September 30, 2019.
- Ohio Public Employees Retirement System for \$18. There was penalties and interest assessed on July 2019 withholding period which was paid via electronic fund transfer in September 2019.
- During 2019, there was numerous penalties and interest related to credit cards and credit accounts at various vendors including WEX Fleet Universal, Visa, and Dayton Power and Light. The total of all penalties and interest was \$239.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Cynthia Messick in the amount of \$4,368 and Carol McDermitt in the amount of \$521, both in favor of the District and due to the EMS Fund in the amount of \$1,420 and the remaining \$3,469 due to the General Fund.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northwest Fire & Ambulance District is responsible for compliance with these laws and regulations.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 05, 2021

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY**

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## Independent Auditor's Report

Northwest Fire and Ambulance District  
Preble County  
135 North Washington Street  
P.O. Box 66  
New Paris, Ohio 45347

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 the related notes of the Northwest Fire and Ambulance District, Preble County, Ohio, as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Northwest Fire and Ambulance District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Fire and Ambulance District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2, the financial statements are prepared by the Northwest Fire and Ambulance District, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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 Northwest Fire and Ambulance District, as of December 31, 2019 and 2018, or changes in net position for the years then ended.

***Unmodified 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 Northwest Fire and Ambulance District, as of December 31, 2019 and 2018, for the years then ended, in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2.

***Emphasis of Matters***

As discussed in Note 11 to the financial statements, during 2018, the Northwest Fire and Ambulance District restated the beginning cash fund balance of the General and Special Revenue fund types to properly state fund balances and total cash. As discussed in Note 11 to the financial statements, for 2019, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Northwest Fire and Ambulance District. We did not modify our opinions regarding these matters.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the Northwest Fire and Ambulance District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northwest Fire and Ambulance District's 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 Northwest Fire and Ambulance District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
March 31, 2021



**NORTHWEST FIRE AND AMBULANCE DISTRICT**  
*Preble County*  
**Combined Statement of Receipts, Disbursements and**  
**Changes In Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	167,419	-	167,419
Charges for Services	27,444	149,672	177,116
Intergovernmental	22,353	2,640	24,993
Earnings on Investments	177	-	177
Miscellaneous	5,544	-	5,544
<i>Total Cash Receipts</i>	<u>222,937</u>	<u>152,312</u>	<u>375,249</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
Security of Persons and Property:			
General Government	207,317	6,122	213,439
Public Safety	-	226,980	226,980
Debt Service:			
Principal Retirement	9,417	-	9,417
Interest and Fiscal Charges	573	-	573
<i>Total Cash Disbursements</i>	<u>217,307</u>	<u>233,102</u>	<u>450,409</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>5,630</u>	<u>(80,790)</u>	<u>(75,160)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	80,790	80,790
Transfers Out	(80,790)	-	(80,790)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(80,790)</u>	<u>80,790</u>	<u>-</u>
<i>Net Change in Fund Cash Balance</i>	(75,160)	-	(75,160)
<i>Fund Cash Balances, January 1</i>	<u>193,626</u>	<u>-</u>	<u>193,626</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned	<u>118,466</u>	<u>-</u>	<u>118,466</u>
<i>Fund Cash Balances, December 31</i>	<u><u>118,466</u></u>	<u><u>-</u></u>	<u><u>118,466</u></u>

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

# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Northwest Fire and Ambulance District, Preble County, (the “District”) as a body corporate and politic. A five-member Board of Trustees governs the District. The Village of New Paris and Jefferson Township political subdivisions within the District appoint two members each. The fifth Trustee is an at large member appointed by the other four members. 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** - These funds account for and report 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:

MCA Fund – This fund is used to account for fees received from the District’s billing company, Medical Claims Assistance, for emergency medical services and related expenditures.

### ***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.

# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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## ***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 object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

## ***Deposits and Investments***

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

## ***Capital Assets***

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

## ***Accumulated Leave***

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

## ***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.

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

**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 – Compliance**

Contrary to Ohio Revised Code Sections 5705.39 and 5705.36, appropriations exceeded estimated resources and contrary to Ohio Revised Code Section 5705.36(A)(4), appropriations exceed actual receipts plus beginning cash balances in the MCA Fund (a special revenue fund) for the year ended December 31, 2019.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$329,056	\$222,937	(\$106,119)
Special Revenue	0	233,102	233,102
Total	<u>\$329,056</u>	<u>\$456,039</u>	<u>\$126,983</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$327,173	\$298,097	\$29,076
Special Revenue	250,059	233,102	16,957
Total	<u>\$577,232</u>	<u>\$531,199</u>	<u>\$46,033</u>

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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**Note 5 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2019</u>
Demand deposits	\$118,466

***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.

**Note 6 – 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 7 – Risk Management**

***Worker’s Compensation***

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.

***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The District’s full time 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 postemployment 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, 2019.

***Social Security***

The District’s part-time firefighters and Trustees 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, 2019.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 10 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$19,400	1.99%

The District obtained a bank loan to finance the purchase of a new defibrillator. The defibrillator collateralized the loan.

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2019*

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

Year Ending December 31:	Bank Loan
2020	\$9,991
2021	9,991
Total	<u>\$19,982</u>

**Note 11 – Subsequent Event**

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the District. The impact on the District’s future operating costs, receipts, and recovery from emergency funding, either federal or state cannot be estimated.

**NORTHWEST FIRE AND AMBULANCE DISTRICT**  
*Preble 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	165,678	-	165,678
Charges for Services	33,000	112,688	145,688
Intergovernmental	22,077	-	22,077
Earnings on Investments	263	-	263
Miscellaneous	2,540	-	2,540
<i>Total Cash Receipts</i>	<u>223,558</u>	<u>112,688</u>	<u>336,246</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
Security of Persons and Property:			
General Government	145,394	-	145,394
Public Safety	-	167,753	167,753
Debt Service:			
Principal Retirement	9,234	-	9,234
Interest and Fiscal Charges	757	-	757
<i>Total Cash Disbursements</i>	<u>155,385</u>	<u>167,753</u>	<u>323,138</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>68,173</u>	<u>(55,065)</u>	<u>13,108</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	55,065	55,065
Transfers Out	(55,065)	-	(55,065)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(55,065)</u>	<u>55,065</u>	<u>-</u>
<i>Net Change in Fund Cash Balance</i>	13,108	-	13,108
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>180,518</u>	<u>-</u>	<u>180,518</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned	<u>193,626</u>	<u>-</u>	<u>193,626</u>
<i>Fund Cash Balances, December 31</i>	<u><u>193,626</u></u>	<u><u>-</u></u>	<u><u>193,626</u></u>

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



# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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## **Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Northwest Fire and Ambulance District, Preble County, (the “District”) as a body corporate and politic. A five-member Board of Trustees governs the District. The Village of New Paris and Jefferson Township political subdivisions within the District appoint two members each. The fifth Trustee is an at large member appointed by the other four members. 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:

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MCA Fund – This fund is used to account for fees received from the District’s billing company, Medical Claims Assistance, for emergency medical services and related expenditures.

### ***Basis of Accounting***

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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.

# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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## ***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 object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

## ***Deposits and Investments***

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

## ***Capital Assets***

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

## ***Accumulated Leave***

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

## ***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.

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble 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 – Compliance**

Contrary to Ohio Revised Code Sections 5705.39 and 5705.36, appropriations exceeded estimated resources and contrary to Ohio Revised Code Section 5705.36(A)(4), appropriations exceeded actual receipts plus beginning cash balances in the MCA Fund (a special revenue fund) for the year ended December 31, 2018.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$391,375	\$223,558	(\$167,817)
Special Revenue	0	167,753	167,753
Total	<u>\$391,375</u>	<u>\$391,311</u>	<u>(\$64)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$308,355	\$210,450	\$97,905
Special Revenue	233,115	167,753	65,362
Total	<u>\$541,470</u>	<u>\$378,203</u>	<u>\$163,267</u>

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 5 – Deposits and Investments**

The District maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2018</u>
Demand deposits	\$193,626

***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.

**Note 6 – 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 7 – Risk Management**

***Worker’s Compensation***

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.

***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The District’s full time 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 postemployment 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***

The District’s part-time firefighters and Trustees 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 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 10 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$28,817	1.99%

The District obtained a bank loan to finance the purchase of a new defibrillator. The defibrillator collateralized the loan.

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2018*

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

Year Ending December 31:	Bank Loan
2019	\$9,991
2020	9,991
2021	9,991
Total	<u>\$29,973</u>

**Note 11 – Restatement**

During 2018, the District restated its beginning General and Special Revenue Fund Type balances as well as overall cash balance. The purpose of the restatement is to subsidize the special revenue funds (MCA fund), which has a large cash deficit due to deficit spending. The MCA fund's negative fund balance means it has spent the money of other funds, which in this case would be the general fund. Additionally, the District had activity from prior years that was unrecorded. The effect of this restatement is shown below:

	General Fund	Special Revenue Fund Type	Total Cash
Fund Cash Balance as previously reported	450,490	(280,179)	170,311
Adjustment to subsidize the MCA fund	(280,179)	280,179	-
Adjustment for unrecorded activity	10,207	-	10,207
Restated Fund Cash Balance at January 1, 2018	<u>180,518</u>	<u>-</u>	<u>180,518</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Northwest Fire and Ambulance District  
Preble County  
135 North Washington Street  
P.O. Box 66  
New Paris, Ohio 45347

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of the Northwest Fire and Ambulance District, Preble County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021, wherein we noted as described in Note 2 to the financial statements, the Northwest Fire and Ambulance District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Also, as described in Note 11 to the financial statements, during 2018, the Northwest Fire and Ambulance District restated the beginning cash fund balance of the General and Special Revenue fund types to properly state fund balances and total cash. Furthermore, as described in Note 11 to the financial statements, for 2019, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Northwest Fire and Ambulance District.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Northwest Fire and Ambulance District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Fire and Ambulance District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Fire and Ambulance District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Northwest Fire and Ambulance District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, unidentified material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 through 2019-011 that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Northwest Fire and Ambulance District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2019-001, 2019-009, 2019-010 and 2019-011.

***Northwest Fire and Ambulance District's Responses to Findings***

The Northwest Fire and Ambulance District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Northwest Fire and Ambulance District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northwest Fire and Ambulance District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northwest Fire and Ambulance District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
March 31, 2021



**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2019-001

Material Weakness/Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Ohio Rev. Code § 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

Due to improper monitoring of budgetary activity, total appropriations exceeded the total estimated resources in the Special Revenue Fund/MCA Fund as follows:

Date	Estimated Resources	Appropriations	Variance
December 31, 2018	\$0	\$233,115	(\$233,115)
December 31, 2019	\$0	\$250,059	(\$250,059)

The District did not request timely amended certificates throughout the year upon notice of increased or decreased resources. This could result in the District expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the District being unable to meet its current obligations.

The District should verify that estimated resources are sufficient to cover appropriations at the time of certification or amendment and timely amend these certificates throughout the year upon notice of increased or decreased resources.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. In speaking with the County Auditor, she told the Fiscal Officer that revenue received only had to be reported for an Amended Certificate of Estimated Resources if the monies were going to be spent. However, we will ask for an Amended Certificate anytime new funding is recorded. In the future, we will separate the Special Revenue Fund from the General Fund accordingly and a Separate set of Financials will be maintained for each of the funds.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-002

Material Weakness - Financial Statement Misstatements

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 controls 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.

All financial information should be correctly reported and classified in the annual financial statements. Due to lack of proper training of the Fiscal Officer, the District's financial statements for 2019 and 2018 contained material errors which required re-classifications and adjustments to correctly report the financial activity during the audit period. These re-classifications and adjustments were made to the District's system and financial report.

The District should use due care in preparation of the annual report. The District should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Without proper controls and policies in place over the record-keeping process, the District's financial information could be mis-recorded, which could lead to materially misstated financial statements and notes. If uncorrected, this could lead to the misrepresentation of the District's activity.

Policies and procedures should be developed and implemented to verify that all receipts and disbursements are posted in correct accounts. The District should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. A procedure has been implemented on how the Cash Journal, Appropriation Ledger, and Cash Receipt Ledger will be reconciled individually with the Bank Statements so that the Financial Statements reconcile as well.

Finding Number	2019-003
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Material Weakness - Jackson Township Contracts

The District had annual agreements in place with Jackson Township for providing fire protection and emergency medical services during 2019 and 2018. The agreements provided that the Township was required to pay the District as follows:

- Annual sum of \$11,000 payable in semi-annual installments of \$5,500 for fire protection;
- \$12 per hour for District personnel responding to fire runs in the Township;
- \$700 per completed EMS run and \$345 per each EMS run that was canceled, aborted, or non-removal of patient was required.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-003 - (Continued)

During 2019 and 2018, the District was not current with their charges to Jackson Township for contracted amounts or EMS runs.

The District should bill the Township for all fire and EMS services provided in accordance with the annual agreements. Failure to do so may result in underpayments or overpayments for fire protection and emergency medical services and possible findings for recovery in the future.

*Client Response:* The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them Jackson Township is being invoiced on a quarterly basis. A quarterly basis was chosen to give MCA enough time to get the EMS runs logged in their system, insurance companies billed, and payments received since part of our invoicing process includes sending Jackson Township any insurance monies received by MCA for the EMS runs, we have done on their behalf to them at the time of invoicing.

Finding Number	2019-004
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Material Weakness - MCA User Entity Controls

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The District has delegated ambulance service billing processing, which is a significant accounting function, to a third-party administrator, Medical Claims Assistance (MCA). Attestation standard (AT-C 320), Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the District with reasonable assurance that ambulance service billing transactions conform to the District's contract with MCA.

MCA had Type 2 SOC 1 reports available for the audit period. These reports included internal controls that should be in operation at the District to complement the controls at MCA's medical billing system. The District indicated they implemented procedures to address these internal controls. However, there was no evidence to support these controls were implemented by the District.

Failure to maintain evidence supporting that procedures were implemented by the District to monitor the transactions processed by MCA may result in inaccurate processing of service billing, incorrect payments received, and inaccurate reports submitted.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-004 - (Continued)

The District should maintain evidence to support that procedures were implemented by the District to verify the completeness and accuracy of ambulance service billings processed by MCA.

*Client Response:* The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them.

Finding Number	2019-005
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Material Weakness - Cash Reconciliations and Accounting System

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. Further, timely updating an accounting system in either manual or computerized format will help increase accountability and assist with the reconciliation process.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection.

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and disbursements have been correctly posted in the accounting system and have been correctly posted by the bank. The Fiscal Officer did not properly post financial activity to the accounting system during the audit period or compare the reconciled bank balance to the District book balance during the month end reconciliation process. As such we noted the following:

- The annual financial reports prepared by the Fiscal Officer did not accurately report ending fund cash balances due to footing, cross footing errors and incomplete system reports. The accompanying financial statements have been corrected for these errors. The District has also adjusted its accounting records.
- In 2018, the District did not complete cash journals, receipt ledgers, or appropriation ledgers for the months of March through December. Due to this, the District was unable to reconcile their bank and book balance for 2019 or 2018. The District contracted with an outside firm to compile receipts and disbursements for the period of January 1, 2018 through December 31, 2019 and ensure these items were recorded to the accounting system. This resulted in adjustments that were posted by the District to its system as well as audit adjustments posted to this financial report.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-005 - (Continued)

Accurate reconciliations and financial reports are a basic and essential internal control component for sound fiscal management. District officials rely on accurate reconciliations and financial reports to make sound financial decisions. Lack of oversight over the District's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed.

The Fiscal Officer should complete accurate monthly reconciliations. All transactions should be accurately and timely posted in the accounting system. District officials should review and sign the reconciliations indicating their approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. The Fiscal Officer should verify that financial activity is properly posted to the accounting ledgers and reported. The receipts ledger, appropriation ledger, cash journal, and annual financial report should all agree to each other.

*Client Response:* The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. See Finding Number 2019-002. This is the procedure that we will be using to also reconcile the Cash Account to the Financial Statements. Financial records are being posted on a monthly basis and the reconciliation is being completed on a monthly basis.

Finding Number	2019-006
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Material Weakness – Payroll Remittances

Internal Revenue Code 26 U.S.C. 3402 (a)(1) states that in general, every employer making a payment of wages shall deduct and withhold upon such wages a tax. Internal Revenue Code 26 U.S.C. 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter and shall not be liable to any person for the amount of any such payment. These sections of the various tax codes require the employing government to withhold federal, state, and local income and employment-related taxes (such as Medicare). They also require the government to report those tax matters to the appropriate tax authorities and to the recipients.

While the District deducted and withheld employee wages, including federal income taxes, local income taxes, and retirement system contributions, these withholdings were not remitted in a timely manner. Thus, the District was assessed penalties and interest for late payments.

By not remitting payroll withholdings in a timely manner, the District can be assessed penalties and interest. The payment of penalties and interest can be considered an improper use of public money.

We recommend the District remit employee withholdings in a timely manner as to not incur penalties and interest.

*Client Response:* We did not receive a response from officials to this finding.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-007

Material Weakness – Payroll Controls

District officials are responsible for maintaining an accounting system and accounting records sufficient to enable the District to identify, assemble, analyze, classify, record, and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances. Strong internal control procedures that are in place and operating effectively, are paramount to maintaining accountability. Additionally, internal control procedures should incorporate segregation of duties, if feasible, where management divides or segregates duties and responsibilities among different people to reduce the risk of error, misuse, or fraud.

During our testing of 2019 and 2018 payroll disbursements, we noted the following:

- Wages were improperly recorded net of withholdings rather than gross, causing personal service disbursements to be recorded lower than the actual amount and fringe benefit disbursements to be higher.
- There was no official documentation of a board-approved schedule maintained for employee wages.
- Timesheets were not consistently approved by the supervisor for hourly employees.
- The Fire Chief approves and submits the payroll reporting, including that of his own pay. However, there was no evidence that anyone from the Fiscal Office approved these payroll reports, caused by a lack of segregation of duties.
- Certain bonus payments to employees for fire runs lacked board approval.

Due to lack of proper oversight by management, the District could spend funds that are not available, are unnecessary, lack support, or lack the necessary approvals.

The District should implement additional controls to ensure payroll transactions are being completed with adequate oversight and payroll transactions are properly and timely recorded. The District should consider segregating duties as much as possible or involve the Board to ensure proper accountability.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-008

Material Weakness – Nonpayroll Controls

District officials are responsible for maintaining an accounting system and accounting records sufficient to enable the District to identify, assemble, analyze, classify, record, and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances. Strong internal control procedures that are in place and operating effectively, are paramount to maintaining accountability.

During our testing of 2019 and 2018 nonpayroll disbursements, we noted the following:

- Disbursement checks were written but never mailed.
- Purchase requisitions were not consistently approved.
- Invoices contained no evidence of approval prior to payment.

Due to the lack of proper oversight by management, the District could spend funds that are not available, are unnecessary, lack support, or lack the required approvals. Further, error and fraud become more likely if internal control procedures are not in place and operating effectively.

The District should implement additional controls to ensure nonpayroll transactions are being completed with adequate oversight and are properly and timely recorded, with adequate support. The District should analyze its current control structure and determine if controls are properly designed. Further, all controls should be documented to ensure they are operating effectively.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. One procedure is we have issued Blanket Purchase Orders Approved by the Board for the Appropriation Line Items used by the Chief for supplies, maintenance & repairs for the EMS and Fire. These are quarterly PO; s with a set amount and a set ending date and will be revisited each quarter & closed (amounts not used) and new Blanket PO’s will be issued for the next quarter.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-009

Material Weakness/Noncompliance – Lack of Support

Accounting Records Ohio Administrative Code (OAC) § 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include a cash receipt ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions should be recorded on this ledger. The local office should also maintain adequate documentation to support the amounts recorded on this ledger. In addition, OAC § 117-2-02(3) states that check vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices and timely record the transaction into its manual or computerized account records. It is management’s responsibility to implement internal accounting control policies and procedures to reasonably ensure the District’s receipts and disbursements are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of receipt and disbursement records.

For 2018, 4 of 33 (12%) and for 2019, 7 of 45 (16%) disbursements examined did not have support maintained by the District. Alternative procedures were required to substantiate this activity to ensure it was accurately recorded and for proper public purpose.

Without a proper organizational control structure for maintaining financial records, the District is at risk for misplacing receipts and disbursements, which could result in a lack of accountability over financial activity or potential fraud.

We recommend the District take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the District. We further recommend the District timely maintain accounting ledgers to assist in accountability.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them.



**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-010

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the Special Revenue Fund/MCA Fund as follows:

<u>Date</u>	<u>Appropriations</u>	<u>Actual Resources</u>	<u>Variance</u>
December 31, 2018	\$ 233,115	\$ 167,753	\$ (65,362)
December 31, 2019	250,059	233,102	(16,957)

By appropriating more funds than actual resources, the District is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the District monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend appropriations accordingly. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. A Resolution has been passed by the Board allowing the Fiscal Officer to Transfer needed funds for the Special Fund (MCA) from the General Fund to the Special Fund on a regular needed basis.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2019-011

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also requires amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

The District had certain disbursements that were not certified in a timely manner. We noted 20 of 33 (61%) disbursements examined in 2018 and 26 of 46 (57%) disbursements examined in 2019 were not certified in a timely manner.

Without timely certification for disbursements or proper use of then and now certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. We also recommend "then and now certificates" only be used when necessary and receive proper board approval.

Client Response: The infractions were noted and discussed, and we are going to be implementing policies and procedures to correct them. One of the procedures is noted in Finding Number 2019-008.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	2015	<u>Noncompliance – Appropriations Exceeding Estimated Resources</u> – Total appropriations from each fund should not exceed total estimated revenue. Total appropriations exceeded total estimated resources in the Special Revenue Fund for the years ended December 31, 2017 and 2016.	Not Corrected	Repeated as finding 2019-001.
2017-002	2015	<u>Noncompliance – Expenditures Exceeding Appropriations</u> – A subdivision or taxing unit is prohibited from expending money unless it has been appropriated. Budgetary expenditures exceeded appropriations in the Special Revenue fund for the year ended December 31, 2017.	Partially Corrected	Repeated in the Management Letter
2017-003	2015	<u>Noncompliance – Negative Fund Balance</u> – Money paid into any fund shall only be used for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance. The District had negative fund balances in the Special Revenue Fund as of December 31, 2017 and 2016.	Corrected	N/A
2017-004	2013	<u>Material Weakness – Financial Statement Misstatements</u> - In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. Multiple audit adjustments were made to the financial statements for the years ending December 31, 2017 and 2016, to properly state financial statement amounts.	Not Corrected	Repeated as finding 2019-002.
2017-005	2017	<u>Material Weakness – Jackson Township Contracts</u> – The District had annual agreements in place with Jackson Township for providing fire protection and emergency services during 2017 and 2016. The District did not bill the Township for the annual protection fee or fire protection runs during 2017 and 2016.	Not Corrected	Repeated as finding 2019-003.
2017-006	2017	<u>Material Weakness – MCA User Entity Controls</u> – Sound accounting practices require public officials to design and operate a system of internal control. The District did not implement procedures to address internal controls which should be in operation to complement the controls of the MCA medical billing system.	Not Corrected	Repeated as finding 2019-004.

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND 2018  
(CONTINUED)**

<b>Finding Number</b>	<b>Year Initially Occurred</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-007	2015	<u>Material Weakness – Cash Reconciliations and Financial Activities</u> – Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The annual financial reports prepared by the Fiscal Officer did not accurately report ending fund cash balances due to footing and cross footing errors. In 2017, the District did not complete manual cash journals, receipt ledgers, or appropriation ledgers for the months of July through December.	Not Corrected	Repeated as finding 2019-005.
2017-008	2015	<u>Material Weakness – Pay Rates</u> - All employees should be paid Board approve pay rates. There was no evidence that the salary schedule documenting employee pay rates was approved by the Board.	Not Corrected	Repeated as finding 2019-007.

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWEST FIRE AND AMBULANCE DISTRICT**

**PREBLE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/18/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

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[www.ohioauditor.gov](http://www.ohioauditor.gov)