



OHIO AUDITOR OF STATE
KEITH FABER



**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY
DECEMBER 31, 2023 AND 2022**

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Report on the Financial Statements, Internal Control, and Compliance

Newton Falls Joint Fire District
Trumbull County
19 North Canal Street
Newton falls, OH 44444

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Newton Falls Joint Fire District, Trumbull County, (the District) as of and for the years ended December 31, 2023 and 2022. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2023-001, 2023-003, 2023-005, 2023-006, and 2023-008 through 2023-017 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the District, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2023-001, 2023-002, 2023-004, 2023-006, 2023-007, 2023-014, 2023-016, and 2023-017.

Newton Falls Joint Fire District
Trumbull County
Report on the Financial Statements, Internal Control, and Compliance
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Government's Response to Findings

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



Keith Faber
Auditor of State
Columbus, Ohio

May 12, 2025

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NEWTON FALLS JOINT FIRE DISTRICT, TRUMBULL COUNTY
 Combined Statement of Receipts, Disbursements and Changes in Fund Balances
 in Fund Balances (Cash Basis) All Governmental Fund Types
 For the Year Ended December 31, 2023

| | <u>General</u> | <u>Special Revenue</u> | <u>Combined Total</u> |
|---|-----------------|------------------------|-----------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$98,122 | \$859,089 | \$957,211 |
| Charges for Services | 104,897 | 0 | 104,897 |
| Intergovernmental | 79,917 | 255,088 | 335,005 |
| Miscellaneous | 20,555 | 461,884 | 482,439 |
| <i>Total Cash Receipts</i> | <u>303,491</u> | <u>1,576,061</u> | <u>1,879,552</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 126,927 | | 126,927 |
| Public Safety | 128,801 | 1,074,454 | 1,203,255 |
| Capital Outlay | | 35,000 | 35,000 |
| Debt Service: | | | |
| Principal Retirement | | 39,108 | 39,108 |
| Interest and Fiscal Charges | | 3,077 | 3,077 |
| <i>Total Cash Disbursements</i> | <u>255,728</u> | <u>1,151,639</u> | <u>1,407,367</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>47,763</u> | <u>424,422</u> | <u>472,185</u> |
| <i>Fund Cash Balances, January 1 (restated - see Note 15)</i> | <u>\$34,100</u> | <u>\$343,808</u> | <u>\$377,908</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$81,863</u> | <u>\$768,230</u> | <u>\$850,093</u> |

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

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic. A five-member Board of Directors governs the District. The Board members for the District are appointed by the Village Council and Township Trustees. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one-year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three-year term on the Board. The final member of the Board is also appointed by the political subdivisions to serve a three-year term. At any given time, the Board of Directors will have one extra representative either from the Village of Newton Falls or Newton Township. The District provides fire and emergency medical services to the Village of Newton Falls and Newton Township.

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District does not participate in any jointly governed organizations, public entity risk pool or related organizations. The District is a joint venture of the Village of Newton Falls and Newton Township as presented in Note 11.

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 Funds These funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Emergency Medical Services (EMS) Fund - The EMS Fund accounts for resources the District accumulates from emergency services. Resources constituting the EMS fund are

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

restricted by Ohio Law to be used solely for expenses incurred in the operation of the District's emergency response services.

FEMA Grant Fund – This fund is used to account for a Federal grant for the purchase of fire equipment allowable under the terms of the grant agreement.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The District 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 (C) 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/function/object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1st. 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 2023 budgetary activity appears in Note 3.

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

The District maintains two demand deposit accounts.

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.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

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.

Leases The District is the lessee in a lease (as defined by GASB 87) related to equipment under noncancelable leases. Lease disbursements are recognized when they are paid.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the EMS and FEMA funds by \$226,943 and \$237,660, respectively for the year ended December 31, 2023.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2023 follows:

| 2023 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$305,947 | \$303,491 | (\$2,456) |
| Special Revenue | 1,344,118 | 1,576,061 | 231,943 |
| Total | \$1,650,065 | \$1,879,552 | \$229,487 |

| 2023 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$323,238 | \$266,038 | \$57,200 |
| Special Revenue | 957,466 | 1,422,049 | (464,583) |
| Total | \$1,280,704 | \$1,688,087 | (\$407,383) |

Note 5 – Deposits and Investments

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

| | 2023 |
|-----------------------------------|-------------------|
| Demand Deposits | \$ 850,093 |
| Total Carrying Amount of Deposits | <u>\$ 850,093</u> |

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Depository 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.

At December 31, 2023, \$152,751 of the District's total bank balance of \$853,292 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

Note 6 – 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.

Public utilities are also taxed on personal and real property located within the District.

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

Note 8 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees. The District insures against injuries to volunteers and employees through the Ohio Bureau of 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.

During 2023, the District did not pay for any losses that exceeded insurance coverage.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2023.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

Ohio Police and Fire Retirement System

The District Fire Chief belongs to the Ohio 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. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The District contributed to OP&F an amount equal to 24 percent of chief's wages. The District has paid all contributions required through December 31, 2023.

Social Security

Fire and medical District employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2023.

Note 9 - Postemployment Benefits

Both OP&F and OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Financed Purchases

The District had the following financed purchase outstanding at December 31, 2023:

| Obligation | Balance 1/1/23 | Additions | Deductions | Balance 12/31/23 |
|-------------------------------------|-------------------|------------|-------------------|---------------------|
| Ambulance Financed Purchase - 2.97% | \$176,472 | \$0 | (\$37,218) | \$139,254 |
| Total | \$176,472 | \$0 | (\$37,218) | \$139,254 |

In October 2020, the District entered into a financed purchase agreement for an ambulance with De Lage Landen Public Finance LLC. An advance principal payment of \$21,093 was due at the commencement of the agreement. The agreement has an interest rate of 2.97 percent per year with a final maturity date of April 20, 2027. The payments are due semi-annually.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2023

The following is a schedule of the future long-term minimum financed purchase payments required under the agreement and present value of the minimum financed purchase payments is as follows:

| Year Ended December 31, | Ambulance Lease |
|---|--------------------------|
| 2024 | \$ 42,185 |
| 2025 | 42,185 |
| 2026 | 42,185 |
| 2027 | 21,093 |
| Total Minimum Financed Purchase Payments | 147,648 |
| Less: Amount Representing Interest | (8,394) |
| Present Value of Minimum Financed Purchase Payments | <u><u>\$ 139,254</u></u> |

Note 11 – Joint Venture

The Newton Falls Joint Fire District (the District) provides fire protection and rescue services within the District and by contract to areas outside the District. The District is composed of territories within Newton Township and the Village of Newton Falls. The District is under the management of a five-member Board. The Board members for the District are appointed by the Township Trustees and the Village of Newton Falls Council. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one-year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three-year term on the District Board. The final member of the Board is also appointed by the political subdivisions to serve a three-year term. The final member's selection alternates between a resident of the Township and the Village.

The District in large part is funded by voter approved property tax receipts. The Township and Village, per agreement, also provide funding to the District. In 2023, the Village and the Township provided \$37,653 and \$29,368, respectively, to the District.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require a refund for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Fund Balances

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|------------------------|-------------------------|-------------------------|
| Outstanding Encumbrances | \$10,310 | \$270,410 | \$280,720 |
| Total | <u><u>\$10,310</u></u> | <u><u>\$270,410</u></u> | <u><u>\$280,720</u></u> |

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements
For the Year Ended December 31, 2023

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2023, the District did not receive COVID-19 funding.

Note 15 - Restatement of Fund Balances

During 2023, the General Fund was restated to account for a voided check. The following change affected beginning balance as such:

| | |
|---------------------------------|-----------|
| Balance as of December 31, 2022 | \$34,040 |
| To correct voided check | <u>60</u> |
| Balance as of January 1, 2023 | \$34,100 |

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NEWTON FALLS JOINT FIRE DISTRICT, TRUMBULL COUNTY
 Combined Statement of Receipts, Disbursements and Changes in Fund Balances
 in Fund Balances (Cash Basis) All Governmental Fund Types
 For the Year Ended December 31, 2022

| | <u>General</u> | <u>Special Revenue</u> | <u>Combined Total</u> |
|--|------------------|------------------------|-----------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$92,232 | \$817,235 | \$909,467 |
| Charges for Services | 151,059 | | 151,059 |
| Intergovernmental | 7,103 | 18,141 | 25,244 |
| Miscellaneous | 3,538 | 377,510 | 381,048 |
| | <u>253,932</u> | <u>1,212,886</u> | <u>1,466,818</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| Public Safety | 343,085 | 714,344 | 1,057,429 |
| Capital Outlay | | 266,257 | 266,257 |
| Debt Service: | | | |
| Principal Retirement | | 36,137 | 36,137 |
| Interest and Fiscal Charges | | 6,048 | 6,048 |
| | <u>343,085</u> | <u>1,022,786</u> | <u>1,365,871</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | | | |
| | <u>(89,153)</u> | <u>190,100</u> | <u>100,947</u> |
| <i>Fund Cash Balances, January 1</i> | | | |
| | <u>\$123,193</u> | <u>\$153,708</u> | <u>\$276,901</u> |
| <i>Fund Cash Balances, December 31</i> | | | |
| | <u>\$34,040</u> | <u>\$343,808</u> | <u>\$377,848</u> |

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

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic. A five-member Board of Directors governs the District. The Board members for the District are appointed by the Village Council and Township Trustees. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one-year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three-year term on the Board. The final member of the Board is also appointed by the political subdivisions to serve a three-year term. At any given time, the Board of Directors will have one extra representative either from the Village of Newton Falls or Newton Township. The District provides fire and emergency medical services to the Village of Newton Falls and Newton Township.

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The District does not participate in any jointly governed organizations, public entity risk pool or related organizations. The District is a joint venture of the Village of Newton Falls and Newton Township as presented in Note 11.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

Emergency Medical Services (EMS) Fund - The EMS Fund accounts for resources the District accumulates from emergency services. Resources constituting the EMS fund are

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

restricted by Ohio Law to be used solely for expenses incurred in the operation of the District's emergency response services.

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 (C). 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 (C) 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/function/object level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1st. 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 2022 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.

The District maintains two demand deposit accounts.

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.

Leases The District is the lessee in a lease (as defined by GASB 87) related to equipment under noncancelable leases. Lease disbursements are recognized when they are paid.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the District and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and EMS funds by \$104,322 and \$351,232, respectively for the year ended December 31, 2022.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$249,543 | \$253,932 | \$4,389 |
| Special Revenue | 1,237,323 | 1,212,886 | (24,437) |
| Total | \$1,486,866 | \$1,466,818 | (\$20,048) |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$240,000 | \$344,322 | (\$104,322) |
| Special Revenue | 675,000 | 1,026,232 | (351,232) |
| Total | \$915,000 | \$1,370,554 | (\$455,554) |

Note 5 – Deposits and Investments

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

| | 2022 |
|-----------------------------------|-------------------|
| Demand Deposits | \$ 377,848 |
| Total Carrying Amount of Deposits | <u>\$ 377,848</u> |

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits

Deposits are insured by the Federal Depository 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.

At December 31, 2022, none of the District's total bank balance of \$396,814 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 6 – 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.

Public utilities are also taxed on personal and real property located within the District.

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

The District is exposed to various risks of property and casualty losses, and injuries to employees. The District insures against injuries to volunteers and employees through the Ohio Bureau of 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.

During 2022, the District did not pay for any losses that exceeded insurance coverage.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2022.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements *For the Year Ended December 31, 2022*

Ohio Police and Fire Retirement System

The District Fire Chief belongs to the Ohio 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. The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The District contributed to OP&F an amount equal to 24 percent of chief's wages. The District has paid all contributions required through December 31, 2022.

Social Security

Fire and medical District employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2022.

Note 9 - 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. 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 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 10 – Financed Purchases

The District had the following financed purchase outstanding at December 31, 2022:

| Obligation | Balance 1/1/22 | Additions | Deductions | Balance 12/31/22 |
|-------------------------------------|-------------------|------------|-------------------|---------------------|
| Ambulance Financed Purchase - 2.97% | \$212,609 | \$0 | (\$36,137) | \$176,472 |
| Total | \$212,609 | \$0 | (\$36,137) | \$176,472 |

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements *For the Year Ended December 31, 2022*

In October 2020, the District entered into a financed purchase agreement for an ambulance with De Lage Landen Public Finance LLC. An advance principal payment of \$21,093 was due at the commencement of the agreement. The agreement has an interest rate of 2.97 percent per year with a final maturity date of April 20, 2027. The payments are due semi-annually.

The following is a schedule of the future long-term minimum financed purchase payments required under the agreement and present value of the minimum financed purchase payments is as follows:

| Year Ended December 31, | Ambulance Lease |
|---|--------------------------|
| 2023 | \$ 42,185 |
| 2024 | 42,185 |
| 2025 | 42,185 |
| 2026 | 42,185 |
| 2027 | 21,093 |
| Total Minimum Financed Purchase Payments | 189,833 |
| Less: Amount Representing Interest | (13,361) |
| Present Value of Minimum Financed Purchase Payments | <u><u>\$ 176,472</u></u> |

Note 11 – Joint Venture

The Newton Falls Joint Fire District (the District) provides fire protection and rescue services within the District and by contract to areas outside the District. The District is composed of territories within Newton Township and the Village of Newton Falls. The District is under the management of a five-member Board. The Board members for the District are appointed by the Township Trustees and the Village of Newton Falls Council. Each of the aforementioned political subdivisions selects one member from within their ranks to serve a one-year term on the District Board. Each political subdivision also selects one resident from within their subdivision to serve a three-year term on the District Board. The final member of the Board is also appointed by the political subdivisions to serve a three-year term. The final member's selection alternates between a resident of the Township and the Village.

The District in large part is funded by voter approved property tax receipts. The Township and Village, per agreement, also provide funding to the District. In 2022, the Village and the Township provided \$72,962 and \$57,026, respectively, to the District.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require a refund for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Newton Falls Joint Fire District

Trumbull County, Ohio

Notes to the Financial Statements For the Year Ended December 31, 2022

Note 13 – Fund Balances

Included in fund balance are amounts the District cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|----------------|-----------------|----------------|
| Outstanding Encumbrances | \$1,237 | \$3,446 | \$4,683 |
| Total | <u>\$1,237</u> | <u>\$3,446</u> | <u>\$4,683</u> |

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the District did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2023 and 2022

1. Noncompliance/Internal Control - Budgetary

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-001 |
|-----------------------|----------|

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

- We noted that fiscal year-end (FYE) 2022 permanent appropriations were \$240,000 for the General Fund and \$675,000 for the EMS Fund. Per review of the FYE UAN Appropriation Status Report we noted total expenditures and contract commitments (outstanding encumbrances) for the General Fund of \$344,322 and \$1,026,232 for the EMS Fund. Expenditures and commitments exceeded approved appropriations at FYE 2022 for the General and EMS Funds by \$104,322 and \$351,232, respectively.
- We noted that FYE 2023 permanent appropriations including previous encumbrances appropriated were \$957,446 for the EMS Fund. Per review of the FYE UAN Appropriation Status Report, we noted total expenditures and contract commitments (outstanding encumbrances) of \$1,184,389 for the EMS Fund. Expenditures and commitments exceeded approved appropriations at FYE 2023 by \$226,943 for the EMS Fund. We also noted at FYE 2023, expenditures exceeded appropriations in the FEMA Fund by \$237,660.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

We noted discrepancies between the approved permanent appropriations and the FYE UAN Appropriation Status Reports for both 2022 and 2023. Appropriations did not agree with the amounts posted in the UAN system.

- We noted that FYE 2022 permanent appropriations were \$240,000 for the General Fund and \$675,000 for the EMS Fund. Per review of the FYE UAN Appropriation Status Report we noted final appropriation for the General Fund of \$353,000 and \$1,073,100 for the EMS Fund. Variance of \$113,000 for the General Fund and \$398,100 for the EMS Fund. FYE 2022 permanent appropriations were Board approved on March 15, 2022 (Res. 22-305) with no other indications of modified appropriations from the board during the year.
- We noted that FYE 2023 permanent appropriations were \$322,000 for the General Fund and \$954,000 for the EMS Fund. Per review of the FYE UAN Appropriation Status Report we noted final appropriation for the General Fund of \$322,000 (no discrepancy) and \$1,304,942 for the EMS Fund. Variance of \$350,942 for the EMS Fund. FYE 2023 permanent appropriations were Board approved on March 21, 2023 (Motion) with no other indications of modified appropriations from the board during the year.

We noted discrepancies between the approved estimated resources and the Fiscal Year End UAN Revenue Status Reports for both 2022 and 2023. Estimated Resources did not agree with the amounts posted in the UAN system.

- We noted FYE 2022 estimated resources were \$249,543 for the General Fund and \$1,237,323 for the EMS Fund. Per review of the FYE UAN Revenue Status Report we

noted final budget revenue for the General Fund of \$252,835 and \$920,376 for the EMS Fund. Variance of \$3,292 for the General Fund and \$316,947 for the EMS Fund.

- We noted FYE 2023 estimated resources were \$305,947 for the General Fund and \$1,344,118 for the EMS Fund. Per review of the FYE UAN Revenue Status Report we noted final budget revenue for the General Fund of \$289,750 and \$1,298,500 for the EMS Fund. Variance of \$16,197 for the General Fund and \$45,618 for the EMS Fund.

The District did not have adequate controls in place to prevent or detect these errors.

The District should ensure budgetary data is incorporated into the accounting system timely and accurately for effective monitoring purposes.

Officials' Response: Management agrees with the findings and will address all issues noted.

2. Noncompliance - Continuing Education Requirements

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-002 |
|-----------------------|----------|

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, ethics, and in any other subject area that the treasurer of state determines is reasonably related to the duties of a treasurer, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described unless the treasurer annually provides a notice of exemption.

The Fiscal Officer did not attend the annual continuing education programs or provide a notice of exemption for both 2022 and 2023.

To maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Fiscal Officer shall attend the annual training or complete an annual exemption and submit to the Auditor of State's office.

Officials' Response: Management agrees with the findings and will address all issues noted.

3. Internal Control - Annual Financial Report

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-003 |
|-----------------------|----------|

Sound accounting practices require accurately reporting receipts and expenses to the financial statements to provide readers to make informed decisions regarding the finances of the District

We noted the following errors when testing property tax receipts for 2022:

- 2nd Half Manufactured Homes distributions were posted net to miscellaneous receipts resulting in miscellaneous receipts for EMS fund (Special Revenue) being overstated by \$1,003. Property taxes and deductions/expenditure were both understated for the EMS Fund (Special Revenue) in the amounts of \$1,107 and \$180, respectively. Property taxes and deduction/expenditure were both understated for the General Fund in the amounts of \$98 and \$22, respectively.

- 2nd Half Manufactured Homes rollback were posted to miscellaneous receipts resulting in miscellaneous receipts for EMS fund (Special Revenue) being overstated by \$35. Intergovernmental receipts were understated for the General Fund in the amount of \$35.
- 2nd Half Manufactured Homes homestead were posted to miscellaneous receipts resulting in miscellaneous receipts for EMS fund (Special Revenue) being overstated by \$396. Intergovernmental receipts were understated for the General Fund and for the EMS Fund (Special Revenue) in the amounts of \$43 and \$353, respectively.
- 2nd Half Real Estate homestead and rollback were posted net to miscellaneous receipts resulting in miscellaneous receipts for EMS fund (Special Revenue) being overstated by \$24,341. Intergovernmental receipts and deductions/expenditure were both understated for the EMS Fund (Special Revenue) in the amounts of \$17,379 and \$23, respectively. Intergovernmental receipts and deduction/expenditure were both understated for the General Fund in the amounts of \$6,994 and \$9, respectively.

We noted the following errors when testing property tax receipts for 2023:

- 2nd Half Manufactured Homes distributions were transposed resulting in Property Tax receipts being overstated by \$459 in the General Fund and understated by \$459 in the EMS fund (Special Revenue).
- 2nd Half Manufactured Homes homestead were posted to miscellaneous receipts resulting in miscellaneous receipts for EMS fund (Special Revenue) being overstated by \$398. Intergovernmental receipts were understated for the General Fund and EMS fund (Special Revenue) in the amounts of \$43 and \$355, respectively.
- 1st Half Real Estate Homestead and Rollback were posted net to miscellaneous receipts resulting in miscellaneous receipts for the EMS fund (Special Revenue) being overstated by \$24,527. Intergovernmental receipts and deductions/expenditure were both understated for the EMS Fund (Special Revenue) in the amounts of \$17,521 and \$23, respectively. Intergovernmental receipts and deductions/expenditure were both understated for the General Fund in the amounts of \$7,038 and \$9, respectively.

We also noted other errors:

- District overstated 2022 charges for services and understated miscellaneous receipts in the general fund by \$19,284.
- District understated 2023 charges for services in the general fund by \$29,368 and overstated miscellaneous receipts in the general fund by \$14,684 and in the EMS Fund (Special Revenue) by \$14,684.
- District during 2023 posted state fiscal recovery funds to the general fund in the amount of \$37,924 when the district should have established a separate special revenue fund to account for these monies.
- District during 2023 improperly recorded one expenditure for fire course training in the total amount of \$1,050 to the EMS Fund (Special Revenue) when it should have been recorded to the general fund.
- District overstated 2022 miscellaneous receipts and understated intergovernmental receipts in the EMS Fund (Special Revenue) by \$12,801.
- District overstated 2023 miscellaneous receipts in the EMS Fund (Special Revenue) and understated miscellaneous receipts in the general fund by \$1,400.
- District overstated 2022 miscellaneous receipts and understated charges for services receipts in the EMS Fund (Special Revenue) by \$110,154.
- District overstated 2023 miscellaneous receipts and understated charges for services receipts in the EMS Fund (Special Revenue) by \$209,682.
- District understated 2023 charges for services receipts in the EMS Fund (Special Revenue) by \$2,875 and expenses by same amount due to posting at net instead of gross.

- District understated 2022 charges for services receipts in the EMS Fund (Special Revenue) by \$12,212 and expenses by the same amount due to posting at net instead of gross.

We noted the following errors in the 2023 budgetary and fund balances note disclosures.

- Budgeted receipts were understated by \$16,197 for the General Fund and \$45,618 for the EMS (Special Revenue) Fund.
- Appropriations were overstated by \$350,942 for the EMS (Special Revenue) Fund.
- Actual receipts were understated by \$30,540 for the EMS (Special Revenue) Fund.
- Actual disbursements were overstated by \$7,885 for the General Fund and \$122,014 for the EMS (Special Revenue) Fund.
- Outstanding encumbrances were overstated by \$7,885 for the General Fund and \$152,554 for the EMS (Special Revenue) Fund. Outstanding encumbrances were understated by \$237,660 for the FEMA (Special Revenue) Fund.

The District did not have adequate controls in place to help prevent or detect these errors.

Officials' Response: Management agrees with the findings and will address all issues noted.

4. Noncompliance - Issuing Form 1099

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-004 |
|-----------------------|----------|

26 CFR § 1.6041-1 states that you must file Form 1099-NEC to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business, as well as, payments of \$600 or more to attorneys for legal services.

The District did not prepare a 1099-NEC form for attorneys whose compensation exceeded the \$600 threshold in 2022 and 2023. Failure to prepare the required forms could result in fines and penalties being levied against the District.

This matter will be referred to the Internal Revenue Service.

The District should issue Form 1099-NEC to independent contractors and attorneys for all payments aggregating \$600 or more.

Officials' Response: Management agrees with the findings and will address all issues noted.

5. Internal Control – Receipt Postings

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-005 |
|-----------------------|----------|

The District received insurance payments for emergency medical services directly from insurance providers. These receipts occur frequently and most are paid through electronic funds transfers to the District.

We noted several occasions during 2022 and 2023 where these receipts were not posted to the system until month end and based off bank posting activity.

The District could not produce any additional supporting documentation for these postings.

The District should obtain and review Medicount payment reports in order to reconcile these direct payments to help ensure completeness and accuracy. The District should also post this activity to ledgers more frequently such as weekly, instead of, monthly.

Officials' Response: Management agrees with the findings and will address all issues noted.

6. Noncompliance / Internal Control - Improper Certification of Expenditures

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-006 |
|-----------------------|----------|

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in **Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3)**, respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a

period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, we noted one transaction tested that was not properly certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence district followed aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, although most expenses seem to be recurring and reasonably predictable, we noted a super blankets established for various accounts such as "repairs and maintenance" and "other expenses". Expenses in these areas are more appropriately suited for regular blanket certificates or regular purchase order as unforeseen repairs could be encountered (cannot reasonably anticipate and predict expenses) and other expenses can vary as in type of expenditure (cannot reasonably anticipate and predict expenses).

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: Management agrees with the findings and will address all issues noted.

7. Noncompliance - Deposits

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-007 |
|-----------------------|----------|

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

Receipts were collected by the Fire Chief or other District personnel. Receipts were then forwarded to the Fiscal Officer/Interim Fiscal Officer for processing and deposit. Receipts were safeguarded by the Fiscal Officer/Interim Fiscal Officer until they could be deposited at the bank. We could not determine how long receipts were held before being forwarded to the Fiscal Officer/Interim Fiscal Officer, since the District did not maintain detailed receipt books, logs, or other documentation to support compliance with the requirements.

The District did not have adequate procedures in place to help prevent or detect errors.

The District should document individual responsibilities over the cash collection and safeguarding process. The District should record the dates of collections and subsequent deposits. Duplicate receipts should be utilized as needed when exchanging cash between parties or District personnel.

Officials' Response: Management agrees with the findings and will address all issues noted.

8. Internal Control – Voided Checks/Check Sequences

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-008 |
|-----------------------|----------|

The District periodically voided checks in the system for various reasons such as made to wrong vendor, incorrect amount, etc.

During our review of disbursements for 2023 we noted a discrepancy between the recorded check number in the system and the actual check number on the canceled check. The system reflected Check #18307 paid to James Williamson for \$940.35. However, the actual check for this disbursement was Check #18306. The reason for this discrepancy is the District recorded previous Check #18300 as voided in the accounting system but that check was actually issued and paid by the bank on a disbursement.

This error was corrected by the interim fiscal officer by voiding physical Check #18308.

The District should ensure when a check is voided in the system that the same bank check is also properly voided. This may help ensure proper sequencing and enhance the ability to properly trace transactions from the accounting system to actual bank disbursement.

Officials' Response: Management agrees with the findings and will address all issues noted.

9. Internal Control - Related Party / Conflict of Interest Policy

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-009 |
|-----------------------|----------|

The District does not have a formal procedure in place for identifying and communicating any outside business interests on the part of officials, administrators, or their immediate family members.

The District's process should require administrators, officials, and their immediate family members disclose, request and share related party and conflicts of interest with the District. In addition, the District should share that information to the appropriate personnel in the District responsible for decision making.

Officials' Response: Management agrees with the findings and will address all issues noted.

10 Internal Control - Meetings of the Board of Trustees

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-010 |
|-----------------------|----------|

The Board of Trustees approves their meeting minutes at the subsequent meetings; however, the Board of Trustees meeting minutes were not signed for the following meetings:

- July 26, 2022
- August 23, 2022
- September 20, 2022
- November 1, 2022
- November 22, 2022
- December 28, 2022
- December 31, 2022
- All of the meetings held during fiscal year 2023.

The Board of Trustees minute records were not approved (motion or resolution) for the following meetings:

- July 5, 2022
- July 26, 2022
- August 23, 2022
- September 20, 2022
- November 1, 2022
- November 22, 2022
- December 28, 2022
- December 31, 2022
- All of the meetings held during fiscal year 2023.

The Board Chairperson and Fiscal Officer should sign the meeting minutes. In addition, the minute record of prior meetings should be formally approved through motion or resolution.

Officials' Response: Management agrees with the findings and will address all issues noted.

11 Internal Control - Policies and Procedures Manual

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-011 |
|-----------------------|----------|

The Board of Trustees have not adopted a formal policies and procedures manual. A Standard Operating Guideline (SOG) was established in 2023 which covers some areas such as travel policy, leave policy, and chain of command. However, areas such as accounting procedures narratives (receipts/expenditures), review policies, related party policies, etc. were not included.

The lack of a formal policy and procedures manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties, errors not being detected in a timely manner, and/or incorrect interpretations of the District's rules and practices.

The District Board of Trustees should establish and adopt an all-inclusive policies and procedures manual. This may help ensure a defined system of accounting and reporting exists.

Officials' Response: Management agrees with the findings and will address all issues noted.

12 Internal Control - Required Accounting Records

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2023-012 |
|-----------------------|----------|

Ohio Admin. Code 117-2-01 requires governments to establish internal controls.

(D) When designing the public office's system of internal control and the specific control activities, management should consider the following:

- (1) Ensure that all transactions are properly authorized in accordance with management's policies.
- (2) Ensure that accounting records are properly designed.
- (3) Ensure adequate security of assets and records.
- (4) Plan for adequate segregation of duties or compensating controls.
- (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- (6) Perform analytical procedures to determine the reasonableness of financial data.
- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- (8) Monitor activities performed by service organizations.

Admin. Code 117-2-02 (D) requires 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 the following:

- (4)(c) Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.
- (E) Each local public office should establish a capitalization threshold so that, unless the local public office establishes a capitalization threshold for any individual item of five thousand dollars or more, at a minimum, eighty per cent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

The District did not maintain underlying documentation and support for fire chief association winter symposium and northern Ohio arson seminar lodging invoices for the Fire Chief in 2023. The Board did approve of a "cost not to exceed" amount for both events which was not exceeded. In addition, the District does not keep capital asset records showing original cost, acquisition date, asset type, location, tag number, etc. In addition, a capitalization threshold has not been established as required.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The District should improve its control procedures to help ensure all amounts are properly recorded in the accounting system and related financial statements. In addition, the District's management and Board should establish and approve budgeted receipts and disbursements (appropriations) to assist in improving the control environment and help ensure compliance with various budgetary requirements outlined in the Ohio Rev. Code.

Officials' Response: Management agrees with the findings and will address all issues noted.

13 Internal Control - Political Activities Prohibited Policy

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| <i>Finding Number</i> | 2023-013 |
|-----------------------|----------|

The District has not adopted a political activities prohibited policy.

The lack of a formal policy could lead to an increased risk of violations such as improper expenditure of monies to support passage of a levy, paying for appointments or promotions, etc.

The District Board of Trustees should establish a political activities prohibited policy. This may help reduce the risk of noncompliance and potential violations in this area.

Officials' Response: Management agrees with the findings and will address all issues noted.

14 Noncompliance/Internal Control - Public Records Requests

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| <i>Finding Number</i> | 2023-014 |
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Ohio Rev. Code § 149.43(B)(1) provides in part upon request by any person and subject to division (B)(8) of this section, all public records responsive to the request shall be promptly prepared and made available for inspection to the requester at all reasonable times during regular business hours. Subject to division (B)(8) of this section, upon request by any person, a public office or person responsible for public records shall make copies of the requested public record available to the requester at cost and within a reasonable period of time.

In addition, the District's established Public Records Policy requires all public records maintained by the District will be made available for prompt inspection and/or copying within a reasonable period of time upon the request of any member of the public.

The District received a public records request on January 12, 2023 via email for meeting minutes. The District provided part of the request on January 19, 2023. The requestor followed up on February 21, 2023 regarding the remainder of the initial request but no evidence was provided that additional meeting minutes were sent. The District did not provide information within a reasonable period of time or in a complete manner.

The District should ensure public records requests are completed in their entirety and within a reasonable period of time in accordance with the Ohio Revised Code and District Policy.

Officials' Response: Management agrees with the findings and will address all issues noted.

15 Internal Control - Segregation of Duties

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| <i>Finding Number</i> | 2023-015 |
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Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation).

The Fiscal Officer resigned in July 2022 and the District hired a CPA firm to record all financial transactions and handle all aspects of the banking and reconciling of the District. The firm is headed by a financial consultant who served as the Temporary Fiscal Officer for the remainder of the audit period. The District also hired a payroll company to complete payroll. District revenue is received, posted, deposited, and reconciled by the Temporary Fiscal Officer, and payroll is handled by the payroll company. The Board did not have adequate compensating controls over financial transactions.

This lack of segregation of duties might lead to fraud, theft, or errors going undetected.

Due to the size of the District, segregating every function may not be financially feasible; however, careful consideration of which functions needs to be separated should be completed. The Board should review their procedures and where possible take steps to include involvement of other District employees handling one of the functions, levels of approval and review of the record keeping, authorization, custody, and reconciliation of accounts.

In addition, for those cycles for which segregation of duties is not possible, the Board should enact additional monitoring controls. The Board should take an active role in the operations of the District, including, review of monthly reconciliations, budget v. actual reports, and review of receipt and disbursement ledgers. Implementation of these procedures may help strengthen internal control over the entire financial reporting cycle and help create a culture of accountability and assist in protecting the District from unnecessary loss and errors.

Officials' Response: Management agrees with the findings and will address all issues noted.

16 Noncompliance/Internal Control – Payroll Withholdings Late Payments

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| <i>Finding Number</i> | 2023-016 |
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26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

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.

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

Ohio Rev. Code § 742.35 outline the requirements for withholding Ohio Police and Fire Pension amounts from a public employees payroll check.

The District withheld federal, state, and police and fire pension amounts, however, had fines and penalties associated with remittances. Testing identified the following:

- The District paid a Internal Revenue Service (IRS) fine/penalty in the amount of \$169.62 in 2022. There was no detailed support available to determine the exact nature of this fine/penalty.
- The District paid a Treasurer of State fine/penalty in the amount of \$606.23 in 2022. There was no detailed support available to determine the exact nature of this fine/penalty.
- The District failed to remit payments and report timely to the Police and Fire Pension Fund during 2022-2024. This resulted in penalties charged to the Township totaling \$3,450.00. However, the District only paid \$2,950.00 of these charges and was unable to provide explanation of the payment variance.

The interest and penalties against the District could have been avoided had the District timely remitted and reported its employee federal tax withholdings, state withholdings, and police and fire pension withholdings; as such, these expenditures do not serve a proper public purpose.

The District should ensure all tax payments are remitted in a timely manner to the appropriate taxing authority.

Officials' Response: Management agrees with the findings and will address all issues noted.

17 Noncompliance/Internal Control – Establishment of Funds

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| <i>Finding Number</i> | 2023-017 |
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Ohio Rev. Code § 5705.09 provides, in part, subdivisions to establish separate funds for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Additionally, Ohio Auditor of State Bulletin 1998-013 requires a resolution to establish the FEMA fund.

The District established Fund 2901 FEMA in 2023 for tracking federal grant monies received; however, the District did not pass a board resolution approving establishment of this fund as required by Bulletin 1998-013. In addition, the District received state fiscal recovery fund monies in 2023, however, no separate special revenue fund was established as required.

Failure to record monies in a separate fund could lead to misuse of funds. In addition, board fund approval should exist to support proper fund establishment and purpose.

The District should ensure state and federal funds are recorded in accordance with ORC §5705.09. In addition, District should follow Bulletin 1998-013 for proper establishment of the FEMA fund.

Officials' Response: Management agrees with the findings and will address all issues noted.

Newton Falls Joint Fire District
19 North Canal Street
Newton Falls, OH 44444

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2023 and 2022

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|-----------------|-------------------------------|
| 2021-001 | Noncompliance / Internal Control - Budgetary | Not corrected | Repeated 2023-001 |
| 2021-002 | Noncompliance - Continuing Education Requirements | Not corrected | Repeated 2023-002 |
| 2021-003 | Noncompliance - Filing of Annual Financial Report | Fully corrected | |
| 2021-004 | Noncompliance - Issuing Form 1099 | Not corrected | Repeated 2023-004 |
| 2021-005 | Noncompliance - Executive Sessions | Fully corrected | |
| 2021-006 | Noncompliance / Internal Control - Improper Certification of Expenditures | Not corrected | Repeated 2023-006 |
| 2021-007 | Noncompliance - Deposits | Not corrected | Repeated 2023-007 |
| 2021-008 | Internal Control - Cash Reconciliation | Fully corrected | |
| 2021-009 | Internal Control - Related Party / Conflict of Interest | Not corrected | Repeated 2023-009 |
| 2021-010 | Internal Control - Meetings of the Board of Trustees | Not corrected | Repeated 2023-010 |
| 2021-011 | Internal Control - Policies and Procedures Manual | Not corrected | Repeated 2023-011 |
| 2021-012 | Internal Control - Required Accounting Records | Not corrected | Repeated 2023-012 |
| 2021-013 | Internal Control - Political Activities Prohibited Policy | Not corrected | Repeated 2023-013 |
| 2021-014 | Internal Control - Public Records | | Repeated 2023-014 |
| 2021-015 | Internal Control - Segregation of Duties | Not corrected | Repeated 2023-015 |
| 2021-016 | Internal Control - Ohio Billing SOC Report | Fully corrected | |

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OHIO AUDITOR OF STATE KEITH FABER



NEWTON FALLS JOINT FIRE DISTRICT

TRUMBULL 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 6/12/2025

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

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