



OHIO AUDITOR OF STATE
KEITH FABER



**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

TITLE	PAGE
Report on the Financial Statements, Internal Control, and Compliance.....	1
Prepared by Management:	
Fiscal year-end December 31, 2019:	
Combined Statement of Receipts, Disbursements, and Changes In Fund Balances (Cash Basis).....	3
Notes to the Basic Financial Statements	4
Fiscal year-end December 31, 2018:	
Combined Statement of Receipts, Disbursements, and Changes In Fund Balances (Cash Basis).....	11
Notes to the Basic Financial Statements	12
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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:

Report on the Financial Statements

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, 2019 and 2018. 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 2019-001 and 2019-004 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 items 2019-001 through 2019-003.

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

March 18, 2022

Newton Falls Joint Fire District
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$91,577	\$295,287	\$386,864
Charges for Services	126,202	281,960	408,162
Intergovernmental	15,055	22,293	37,348
Donation	5,200	3,000	8,200
Miscellaneous	2,064	836	2,900
<i>Total Cash Receipts</i>	<u>240,098</u>	<u>603,376</u>	<u>843,474</u>
Cash Disbursements			
Current:			
Security of Persons and Property:			
Salaries	73,380	422,839	496,219
Fringe Benefits	25,802	37,659	63,461
Materials and Supplies	31,365	61,525	92,890
Repairs and Maintenance	75,155	32,141	107,296
Other	57,575	51,109	108,684
Debt Service:			
Principal Retirement	77,727	0	77,727
Interest and Fiscal Charges	1,968	0	1,968
<i>Total Cash Disbursements</i>	<u>342,972</u>	<u>605,273</u>	<u>948,245</u>
<i>Net Change in Fund Cash Balances</i>	(102,874)	(1,897)	(104,771)
<i>Fund Cash Balances, January 1</i>	<u>258,630</u>	<u>88,338</u>	<u>346,968</u>
Fund Cash Balances, December 31			
Restricted	0	86,441	86,441
Unassigned	155,756	0	155,756
<i>Fund Cash Balances, December 31</i>	<u><u>\$155,756</u></u>	<u><u>\$86,441</u></u>	<u><u>\$242,197</u></u>

See accompanying notes to the financial statements

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic. A five member Board of Directors directs 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 District 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 10.

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 are 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 or committed to expenditure for specified purposes. The District's only special revenue fund is the EMS fund. The EMS fund accounts for resources the District accumulates from emergency services. Resources constituting the EMS fund are restricted by Ohio Law to be used solely for expenditures incurred in the operation of the District's emergency response services.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/ object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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 Board or 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

The District did not submit an amended certificate of estimated resources to the County Auditor. The District also did not prepare and/or receive Board approval for appropriations for 2019. The only budgetary document provided to the County Auditor in 2019 was the property tax rate resolution.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

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

	<u>2019</u>
Demand deposits	<u>\$242,197</u>
Total deposits and investments	<u><u>\$242,197</u></u>

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.

At December 31, 2019, \$1,281 of the District’s total bank balance of \$254,159 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.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board 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 6 - Risk Management

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.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two 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, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Social Security

Most of the District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of the participants' gross salaries. The District has paid all contributions required through December 31, 2019.

Note 8 - 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 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was zero. During 2019, the District paid off its loan with Middlefield Bank earlier than its original maturity date of June 7, 2022. The fee charge for early payoff was \$35.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – 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 2019, the Village and the Township provided \$70,837 and \$55,365, respectively, to the District.

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

In 2020, the District entered into a capital lease to purchase a 2021 Horton Freightliner Ambulance, as approved in 2019, at 2.97% interest with fourteen semi-annual payments of \$21,092.55 for a total price of \$295,295.70 (\$269,789.00 principle and \$26,092.55 interest).

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2019

This page intentionally left blank.

Newton Falls Joint Fire District
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$91,558	\$296,005	\$387,563
Charges for Services	126,202	280,622	406,824
Intergovernmental	15,001	15,484	30,485
Donation	5,000	5,000	10,000
Miscellaneous	17,762	10,771	28,533
<i>Total Cash Receipts</i>	<u>255,523</u>	<u>607,882</u>	<u>863,405</u>
Cash Disbursements			
Current:			
Security of Persons and Property:			
Salaries	71,432	366,130	437,562
Fringe Benefits	25,609	35,805	61,414
Materials and Supplies	104,897	57,196	162,093
Repairs and Maintenance	95,743	45,490	141,233
Other	61,527	55,305	116,832
Capital Outlay	39,760	26,599	66,359
Debt Service:			
Principal Retirement	0	122,741	122,741
Interest and Fiscal Charges	0	8,105	8,105
<i>Total Cash Disbursements</i>	<u>398,968</u>	<u>717,371</u>	<u>1,116,339</u>
<i>Net Change in Fund Cash Balances</i>	(143,445)	(109,489)	(252,934)
<i>Fund Cash Balances, January 1 - Restated (See Note 11)</i>	<u>402,075</u>	<u>197,827</u>	<u>599,902</u>
Fund Cash Balances, December 31			
Restricted	0	88,338	88,338
Unassigned	258,630	0	258,630
<i>Fund Cash Balances, December 31</i>	<u><u>\$258,630</u></u>	<u><u>\$88,338</u></u>	<u><u>\$346,968</u></u>

See accompanying notes to the financial statements

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Newton Falls Joint Fire District (NFJFD), Trumbull County, (the District) as a body corporate and politic. A five member Board of Directors directs 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 District 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 10.

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 are 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 or committed to expenditure for specified purposes. The District's only special revenue fund is the EMS fund. The EMS fund accounts for resources the District accumulates from emergency services. Resources constituting the EMS fund are restricted by Ohio Law to be used solely for expenses incurred in the operation of the District's emergency response services.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/ object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends 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 Board or 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

The District did not submit an amended certificate of estimated resources to the County Auditor. The District also did not prepare and/or receive Board approval for appropriations for 2018. The only budgetary document provided to the County Auditor in 2018 was the property tax rate resolution.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

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

	<u>2018</u>
Demand deposits	<u>\$346,968</u>
Total deposits and investments	<u><u>\$346,968</u></u>

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.

At December 31, 2018, \$42,141 of the District’s total bank balance of \$357,305 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.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board 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 6 - Risk Management

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.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - 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, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>

Social Security

Most of the District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of the participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Note 8 - 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.

Note 9 – Debt

Debt outstanding at December 31, 2018 consisted of a loan with Middlefield Bank in the amount of \$77,727.

In 2011, the District purchased the property at 45 E. Broad Street from Newton Township. The District also procured a loan in 2011 from Middlefield Bank in the amount of \$175,000 in order to complete the necessary renovations to the property purchased from Newton Township. The loan has an interest rate of 4.5 percent per year with a final maturity date of June 7, 2022.

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Year ending December 31:	Middlefield Loan
2019	\$13,437
2020	13,437
2021	13,437
2022	47,219
Total	\$87,530

Note 10 – 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 2018, the Village and the Township provided \$70,837 and \$55,365, respectively, to the District.

Note 11 – Restatement of Cash Balances

During 2018, it was determined that cash balances were understated in the General fund and overstated in the EMS special revenue fund. This restatement to cash had the following effect on the beginning balances by fund type at December 31, 2018:

	General	Special Revenue	Totals
Cash Balance as reported at December 31, 2017	\$381,770	\$211,082	\$592,852
Restatement to Cash	20,305	(13,255)	7,050
Restated Cash Balance at December 31, 2017	\$402,075	\$197,827	\$599,902

Newton Falls Joint Fire District
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2018

This page intentionally left blank.

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

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

1. Noncompliance / Internal Control - Budgetary

<i>Finding Number</i>	2019-001
-----------------------	----------

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The District passed budgets for 2018 (Resolution 2017-144) and 2019 (Resolution 19-208), however the resolutions did not include any amounts or attachments and the District could not provide formally approved appropriation measures. The District did not file any appropriation measures with or obtain any amended certificates of estimated resources from the County Auditor for 2018 and 2019.

The following related noncompliance, control deficiencies, and reporting errors were noted:

- The District made expenditures without appropriation authority.
- The District was unable to effectively monitor financial activity using budget and actual data.
- The District was unable to disclose the required financial statement budgetary activity.
- The District was unable to calculate a general fund assigned fund balance based on the subsequent year's budget for any appropriations exceeding estimated receipts

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

The District should ensure it passes appropriations and budgets as well as amended certificates of estimated resources as needed. The District should also certify the necessary budget information to the County as required by the aforementioned revised code sections.

The District should approve the appropriations measures and incorporate them into the minutes directly or as attachments to the Resolution.

Officials' Response: The District will take actions to correct.

2. Noncompliance - Filing of Annual Financial Report

<i>Finding Number</i>	2019-002
-----------------------	----------

Ohio Rev. Code §117.38 requires each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state (AOS) within sixty days after the close of the fiscal year for cash basis entities. Auditor of State Bulletin 2015-007 requires regulatory cash basis entities to file with AOS electronically via the Hinkle Financial Data Reporting System (Hinkle System) their basic financial statements. These basic financial statements should include the following:

- Statement(s) or (Combined Statement(s)) of Receipts, Disbursements, and Changes in Fund Balances - Governmental, Proprietary, and Fiduciary, as applicable.
- Notes to the Basic Financial Statements.

The District did not file the 2018 and 2019 financial reports until April 19, 2021.

The District did not have adequate controls in place to help prevent or detect the noncompliance.

The District should file the complete annual financial report via the Hinkle System within 60 days of year end.

Officials' Response: The District will take actions to correct.

3. Noncompliance - Fiscal Officer Certification of Funds

<i>Finding Number</i>	2019-003
-----------------------	----------

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer'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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

The District did not certify funds in accordance with the revised code or account for encumbrances.

Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances. 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 that funds are or will be available prior to the obligation of the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify expenditures to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method to authorize disbursements is to use purchase orders that include certification language required by Ohio Rev. Code § 5705.41(D). The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The fiscal officer should also reduce the available encumbrance upon incurring related expenditures.

Officials' Response: The District will take actions to correct.

4. Internal Control - Required Accounting Records

<i>Finding Number</i>	2019-004
-----------------------	----------

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

(A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories, including but not limited to the categories enumerated in paragraph (B) of this rule.

(B) "Internal control" means a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets against unauthorized acquisition, use or disposition.

(C) Internal control consists of the following five interrelated components:

- (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels.
- (3) Control activities, which are policies and procedures that help ensure management directives are carried out so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels.
- (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- (5) Monitoring, which is a process that assesses the quality of internal control performance over time.

- (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.
- (E) Consideration should be given to the cost benefit of the controls. The cost of controls should not exceed their benefit.

Ohio Admin. Code 117-2-02 requires governments to report financial information properly.

- (A) All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code.
- (C) The following systems and documents may be used to effectively maintain the accounting and budgetary records of the local public office:
- (1) All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District could not provide accurate and complete financial accounts necessary to report the operations of the District as required. The District hired an outside consultant to reconstruct and reconcile the accounts and prepare the financial statements for 2018 and 2019. In addition, the District was unable to effectively monitor financial activity due to a lack of approved budgetary data and incomplete financial accounts.

The District did not have adequate controls in place to maintain the required records.

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: The District will take actions to correct.

**NEWTON FALLS JOINT FIRE DISTRICT
19 NORTH CANAL STREET
NEWTON FALLS, OH 44444**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Improper transfers	Yes	
2017-002	Budgetary issues	No	2019-001
2017-003	Filing of Annual Financial Report	No	2019-002
2017-004	Expenditures exceed Appropriations	No	2019-001
2017-005	Destruction of Records	No	Management Letter Citation #4
2017-006	FFR – Late payments	Yes	
2017-007	Ohio Billing controls	N/A	Not applicable to a non-GAGAS audit
2017-008 and 2017-009	Financial statement errors	Yes	
2017-010	Timely deposits & posting	No	2019-004; Management Letter Citation #3
2017-011	Bank to book reconciliation	No	2019-004

This page intentionally left blank.

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 5/5/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov