



**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Newton Falls Joint Fire District
Trumbull County
19 North Canal Street
Newton Falls, Ohio 44444-0092

To the Board of Trustees:

We have audited the accompanying financial statements of Newton Falls Joint Fire District, Trumbull County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District, as of December 31, 2000 and 1999, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 27, 2001

NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

Governmental Fund Types

	<u>General</u>
Cash Receipts:	
Intergovernmental	\$92,445
Charges for Services	140,286
Earnings on Investments	2,866
Miscellaneous	6,600
	<hr/>
Total Cash Receipts	242,197
Cash Disbursements:	
Current:	
Security of Persons and Property	120,106
Contractual Services	43,848
Supplies & Materials	35,712
Other	560
Debt Service:	
Redemption of Principal	15,386
Interest	3,878
Capital Outlay	9,565
	<hr/>
Total Disbursements	229,055
Total Receipts Over/(Under) Disbursements	<hr/> 13,142
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,142
Fund Cash Balances January 1	<hr/> 75,907
Fund Cash Balances, December 31	<hr/> \$89,049 <hr/>

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

Governmental Fund Type

	General
Cash Receipts:	
Intergovernmental	\$88,684
Charges for Services	110,477
Earnings on Investments	2,921
Miscellaneous	1,040
Total Cash Receipts	203,122
Cash Disbursements:	
Current:	
Security of Persons and Property	105,049
Contractual Services	40,852
Supplies & Materials	19,257
Other	1,441
Debt Service:	
Redemption of Principal	7,854
Capital Outlay	92,908
Total Disbursements	267,361
Total Receipts Over/(Under) Disbursements	(64,239)
Other Financing Receipts/(Disbursements):	
Proceeds from Sale of Public Debt:	
Sale of Notes	76,930
Total Other Financing Receipts/(Disbursements)	76,930
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,691
Fund Cash Balances January 1	63,216
Fund Cash Balances, December 31	\$75,907

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Falls Joint Fire District, Trumbull County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. Board members are appointed by the political subdivisions within the District. Those subdivisions are Newton Township and Newton Falls Village. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

E. Budgetary Process

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

1. Appropriations

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District had no encumbrances outstanding at year end. The District did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 89,049	\$ 75,907
Total deposits	<u>\$ 89,049</u>	<u>\$ 75,907</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 215,152	\$ 242,197	\$ 27,045
Total	<u>\$ 215,152</u>	<u>\$ 242,197</u>	<u>\$ 27,045</u>

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 215,152	\$ 229,055	\$ (13,903)
Total	<u>\$ 215,152</u>	<u>\$ 229,055</u>	<u>\$ (13,903)</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 176,298	\$ 280,052	\$ 103,754
Total	<u>\$ 176,298</u>	<u>\$ 280,052</u>	<u>\$ 103,754</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 176,298	\$ 267,361	\$ (91,063)
Total	<u>\$ 176,298</u>	<u>\$ 267,361</u>	<u>\$ (91,063)</u>

Contrary to Ohio Revised Code § 5705.41 (B), expenditures exceeded appropriations in the General fund for 1999. The District did not properly encumber their expenditures during the audit period, contrary to Ohio Revised Code § 5705.41 (D).

4. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Rescue Vehicle Notes	\$ 61,544	4.27%
Total	<u>\$ 61,544</u>	

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

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Rescue Vehicle Notes</u>
2001	\$ 18,050
2002	17,384
2003	16,718
2004	<u>16,054</u>
Total	<u>\$ 68,206</u>

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% in 1999 and 10.84% in 2000 of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

Effective July 1, 1991, volunteer firefighters not otherwise covered by the Public Employees Retirement System or the Police and Fireman's Disability and Pension Fund are covered by Social Security. For the period January 1, 1999 through December 31, 2000, the District's volunteer firefighters who are covered by Social Security contributed 6.2% of their gross salary with the District contributing an equal amount of 6.2% of the gross salaries. The District has paid Social Security for all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

7. SUBSEQUENT EVENTS

The District passed a one mill five year levy in 1999, for which they will begin receiving monies in 2001. Also the District purchased a new rescue vehicle in June of 2001, borrowing \$90,000 for the purchase. This amount will be paid back using the funds received from the levy.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Newton Falls Joint Fire District
Trumbull County
19 North Canal Street
Newton Falls, Ohio 44444-0092

To the Board of Trustees:

We have audited the financial statements of Newton Falls Joint Fire District, Trumbull County, Ohio (the District), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated September 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-31178-001 and 2000-31178-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 27, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 27, 2001.

Newton Falls Joint Fire District
Trumbull County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

September 27, 2001

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-31178-001

Noncompliance Citation

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

Expenditures were more than appropriations for 1999 in the General Fund as follows:

Board Approved <u>Appropriations</u> \$ 176,298	Budgetary <u>Expenditures</u> \$ 267,361	<u>Variance</u> (\$ 91,063)
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We recommend that the Fire District Clerk monitor expenditures to ensure that they do not exceed appropriations.

FINDING NUMBER 2000-31178-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Fire District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Board of Trustees.

The District did not make the required certification for 91% of the transactions that were tested for 2000 and 1999.

**NEWTON FALLS JOINT FIRE DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2000-31178-002
(Continued)**

Certifications should be made before the obligation is made, which will help to ensure the availability of funds and proper accounting and reporting of nonpayroll disbursements. The clerk should be informed of any and all purchases before they are made. This will help ensure that purchase orders are completed prior to a purchase being made, as well as assuring that there are sufficient funds to cover the proposed purchase. This section also provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. Furthermore, contracts and orders for expenditure lacking prior certification should be null and void.

We also reported this matter in our audit of the 1997 and 1998 financial statements.

**NEWTON FALLS JOINT FIRE DISTRICT
TRUMBULL COUNTY
DECEMBER 31, 2000 AND 1999**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-31178-001	Revised Code 149.351(A) - records should not be removed, destroyed, etc.	Yes	Corrected
1998-31178-002	The Fire District had not established an audit committee	Yes	Corrected



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NEWTON FALLS JOINT FIRE DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**