



Dave Yost • Auditor of State



**NBS JOINT FIRE DISTRICT  
SENECA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

NBS Joint Fire District  
Seneca County  
7949 West County Road 10  
New Riegel, Ohio 44853

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of NBS Joint Fire District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of NBS Joint Fire District, Seneca County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 18, 2018

**NBS Joint Fire District**  
*Seneca County*

*Statement of Receipts, Disbursements and  
Changes In Fund Balance (Regulatory Cash Basis)  
General Fund  
For the Year Ended December 31, 2017*

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|   |                        |
|---|------------------------|
| <b>Cash Receipts</b>                      |                        |
| Property and Other Local Taxes            | \$105,414              |
| Charges for Services                      | 2,118                  |
| Intergovernmental                         | 12,336                 |
| Miscellaneous                             | <u>2,000</u>           |
| <i>Total Cash Receipts</i>                | <u>121,868</u>         |
| <b>Cash Disbursements</b>                 |                        |
| Current Disbursements:                    |                        |
| Public Safety                             | 98,705                 |
| Other                                     | <u>235</u>             |
| <i>Total Cash Disbursements</i>           | <u>98,940</u>          |
| <i>Excess Receipts Over Disbursements</i> | 22,928                 |
| <b>Other Financing Receipts</b>           |                        |
| Other Financing Sources                   | <u>390</u>             |
| <i>Net Change in Fund Cash Balance</i>    | 23,318                 |
| <i>Fund Cash Balance, January 1</i>       | <u>71,923</u>          |
| <b>Fund Cash Balance, December 31</b>     |                        |
| Assigned                                  | <u>95,241</u>          |
| <i>Fund Cash Balance, December 31</i>     | <u><u>\$95,241</u></u> |

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

**NBS Joint Fire District**  
*Seneca County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of NBS Joint Fire District, Seneca County, Ohio (the District) as a body corporate and politic. A three member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Big Spring Township, Seneca Township and the Village of New Riegel. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District participates in a public entity risk pool. Note 6 to the financial statement provides additional information for this entity. This organization is the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

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

***Basis of Presentation***

The District's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the general fund.

***Fund Accounting***

The District uses a fund 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 fund of the District is 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.

***Basis of Accounting***

This financial statement follows 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 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).

This statement includes 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.



**NBS Joint Fire District**  
*Seneca County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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

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

A summary of 2017 budgetary activity appears in Note 3.

**Capital Assets**

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

**Fund Balance**

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

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

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

**Committed** Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**NBS Joint Fire District**

*Seneca County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)*

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                   |                 |          |
|-----------------------------------|-------------------|-----------------|----------|
| Fund Type                         | Budgeted Receipts | Actual Receipts | Variance |
| General                           | \$117,988         | \$122,258       | \$4,270  |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                         |                        |          |
|---|-------------------------|------------------------|----------|
| Fund Type   | Appropriation Authority | Budgetary Expenditures | Variance |
| General   | \$189,911               | \$98,940               | \$90,971 |

**Note 4 – Deposits and Investments**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

|                 |          |
|-----------------|----------|
|                 | 2017     |
| Demand deposits | \$95,241 |

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

**Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

**NBS Joint Fire District**

*Seneca County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)*

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**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

|              | <u>2017</u>  |
|--------------|--------------|
| Assets       | \$44,452,326 |
| Liabilities  | (13,004,011) |
| Net Position | \$31,448,315 |

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**NBS Joint Fire District**

*Seneca County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)*

|  |
|--|
| <b>2017 Contributions to PEP</b><br><b>\$7,769</b> |
|--|

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

One employee belongs 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, 2017.

***Social Security***

Most of the District's 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, 2017.

**Note 8 – Debt**

Debt outstanding at December 31, 2017, was as follows:

|             |                  |
|-------------|------------------|
|             | <u>Principal</u> |
| Truck Lease | <u>\$87,607</u>  |

In 2016, the District entered into an agreement to lease the use of a new fire truck for \$109,509. The District agreed to make payments of \$21,902 annually for five years. The District began making payments on this lease in 2017. There is no collateral for the lease.

**NBS Joint Fire District**  
*Seneca County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

Amortization of the above debt is scheduled as follows:

| <u>Year Ending</u><br><u>December 31:</u> | <u>Truck Lease</u>     |
|---|------------------------|
| 2018                                      | \$21,902               |
| 2019                                      | 21,902                 |
| 2020                                      | 21,902                 |
| 2021                                      | 21,901                 |
| Total                                     | <u><u>\$87,607</u></u> |

**NBS Joint Fire District**  
*Seneca County*

*Statement of Receipts, Disbursements and  
Changes In Fund Balance (Regulatory Cash Basis)  
General Fund  
For the Year Ended December 31, 2016*

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|   |                        |
|---|------------------------|
| <b>Cash Receipts</b>                      |                        |
| Property and Other Local Taxes            | \$100,769              |
| Charges for Services                      | 201                    |
| Intergovernmental                         | 23,905                 |
| Miscellaneous                             | <u>5,335</u>           |
| <i>Total Cash Receipts</i>                | <u>130,210</u>         |
| <b>Cash Disbursements</b>                 |                        |
| Current Disbursements:                    |                        |
| Public Safety                             | <u>119,971</u>         |
| <i>Excess Receipts Over Disbursements</i> | 10,239                 |
| <b>Other Financing Receipts</b>           |                        |
| Other Financing Sources                   | <u>853</u>             |
| <i>Net Change in Fund Cash Balance</i>    | 11,092                 |
| <i>Fund Cash Balance, January 1</i>       | <u>60,831</u>          |
| <b>Fund Cash Balance, December 31</b>     |                        |
| Assigned                                  | <u>71,923</u>          |
| <i>Fund Cash Balance, December 31</i>     | <u><u>\$71,923</u></u> |

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

**NBS Joint Fire District**  
*Seneca County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of NBS Joint Fire District, Seneca County, Ohio (the District) as a body corporate and politic. A three member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Big Spring Township, Seneca Township and the Village of New Riegel. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District participates in a public entity risk pool. Note 6 to the financial statement provides additional information for this entity. This organization is the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

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

***Basis of Presentation***

The District's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the general fund.

***Fund Accounting***

The District uses a fund 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 fund of the District is 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.

***Basis of Accounting***

This financial statement follows 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).

This statement includes 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.

**NBS Joint Fire District**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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

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

A summary of 2016 budgetary activity appears in Note 3.

**Capital Assets**

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

**Fund Balance**

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

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

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

**Committed** Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.



**NBS Joint Fire District**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$111,681            | \$131,063          | \$19,382 |
|                                   | \$111,681            | \$131,063          | \$19,382 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$168,100                  | \$119,971                 | \$48,129 |
|   | \$168,100                  | \$119,971                 | \$48,129 |

**Note 4 – Deposits and Investments**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

|                 |          |
|-----------------|----------|
|                 | 2016     |
| Demand deposits | \$71,923 |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

**NBS Joint Fire District**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

|              | <b><u>2016</u></b> |
|--------------|--------------------|
| Assets       | \$42,182,281       |
| Liabilities  | (13,396,700)       |
| Net Position | \$28,785,581       |

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District’s share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**NBS Joint Fire District**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

|   |
|---|
| <b><u>2016 Contributions to PEP</u></b> |
| <b>\$7,781</b>                          |

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

One employee belongs 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, 2016.

*Social Security*

Most of the District's 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, 2016.

**Note 8 – Debt**

Debt outstanding at December 31, 2016, was as follows:

|             |                  |
|-------------|------------------|
| Truck Lease | <u>Principal</u> |
|             | <u>\$109,509</u> |

In 2016, the District entered into an agreement to lease the use of a new fire truck for \$109,509. The District agreed to make payments of \$21,902 annually for five years. The District will begin making payments on this lease in 2017. There is no collateral for the lease.

**NBS Joint Fire District**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

Amortization of the above debt is scheduled as follows:

| Year Ending<br>December 31: | Truck Lease      |
|-----------------------------|------------------|
| 2017                        | \$21,902         |
| 2018                        | 21,902           |
| 2019                        | 21,902           |
| 2020                        | 21,902           |
| 2021                        | 21,901           |
| Total                       | <u>\$109,509</u> |



# Dave Yost • Auditor of State

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

NBS Joint Fire District  
Seneca County  
7949 West County Road 10  
New Riegel, Ohio 44853

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of NBS Joint Fire District, Seneca County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 18, 2018

**NBS JOINT FIRE DISTRICT  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2017-001**

**Material Weakness**

**Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Errors were noted in the financial statements, resulting in the following audit adjustments:

- Intergovernmental revenues of \$11,930 were incorrectly classified as Property and Other Local Taxes revenues in 2016;
- Miscellaneous revenues of \$1,085 were incorrectly classified as Intergovernmental revenues in 2016;
- Intergovernmental revenues of \$6,006 were incorrectly classified as Other Financing Sources in 2016;
- Assigned Fund Balance of \$71,923 in 2016 was misclassified as Unassigned.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

**NBS JOINT FIRE DISTRICT  
SENECA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

| <b>Finding Number</b> | <b>Finding Summary</b>                                    | <b>Status</b>   | <b>Additional Information</b>   |
|-----------------------|---|---|---|
| 2015-001              | Material weakness due to errors over financial reporting. | Not corrected. Repeated in this report as finding 2017-001. | A new Fiscal Officer took over in 2016. The prior Fiscal Officer came back for a few months in 2016 and mistakes were made due to the turnover and illnesses. The current Fiscal Officer will ensure these are accounted for correctly in the future. |
| 2015-002              | Material Weakness due to failure to deposit receipts.     | Partially corrected. Repeated in the management letter.     | A new Fiscal Officer took over in 2016. The prior Fiscal Officer came back for a few months in 2016 and mistakes were made due to the turnover and illnesses. The current Fiscal Officer continues to work to have receipts electronically deposited. |





# Dave Yost • Auditor of State

**NBS JOINT FIRE DISTRICT**

**SENECA 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  
AUGUST, 2 2018**