



**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**



**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Northwest Fire and Ambulance District, Preble 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 *Additional Opinion Qualification and Unmodified Opinion* paragraphs 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 changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Because the District did not maintain accounting ledgers for the months of July through December 2017, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as receipts and expenditures as follows: \$46,240 of Charges for Services in the Special Revenue Fund, which is 32% of Special Revenue Fund receipts; \$69,831 of General Government expenditures in the General Fund, which is 49% of General Fund expenditures; \$46,935 of General Government expenditures and \$96,622 of Public Safety expenditures in the Special Revenue Fund, which is 56% of Special Revenue Fund expenditures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Northwest Fire and Ambulance District, Preble County as of December 31, 2017, and for the year 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.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Northwest Fire and Ambulance District, Preble County, as of December 31, 2016, and for the year 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 August 26, 2019, 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.

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

Keith Faber  
Auditor of State

Columbus, Ohio

August 26, 2019

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**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Combined Statement of Receipts, Disbursements and  
Changes In Fund Balances (Regulatory Cash Basis)*

*All Governmental Fund Types*

*For the Year Ended December 31, 2017*

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$165,870	\$0	\$165,870
Charges for Services	0	90,492	90,492
Intergovernmental	21,969	52,075	74,044
Earnings on Investments	418	0	418
Miscellaneous	3,989	0	3,989
<i>Total Cash Receipts</i>	<u>192,246</u>	<u>142,567</u>	<u>334,813</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
Security of Persons and Property:			
General Government	132,556	49,327	181,883
Public Safety	0	207,965	207,965
Debt Service:			
Principal Retirement	9,054	0	9,054
Interest and Fiscal Charges	937	0	937
<i>Total Cash Disbursements</i>	<u>142,547</u>	<u>257,292</u>	<u>399,839</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>49,699</u>	<u>(114,725)</u>	<u>(65,026)</u>
<i>Net Change in Fund Cash Balance</i>	49,699	(114,725)	(65,026)
<i>Fund Cash Balances, January 1</i>	<u>400,791</u>	<u>(165,454)</u>	<u>235,337</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned (Deficit)	<u>450,490</u>	<u>(280,179)</u>	<u>170,311</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$450,490</u></u>	<u><u>(\$280,179)</u></u>	<u><u>\$170,311</u></u>

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

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# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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## **Note 1 – Reporting Entity**

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

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

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

### ***Basis of Presentation***

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

### ***Fund Accounting***

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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## ***Budgetary Process***

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

## ***Deposits and Investments***

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

## ***Capital Assets***

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

## ***Accumulated Leave***

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

## ***Fund Balance***

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

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

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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

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

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

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

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority and appropriation authority exceeded estimated resources in the MCA Fund by \$19,775 and \$164,285, respectively, for the year ended December 31, 2017. Also contrary to Ohio law, at December 31, 2017, the MCA Fund had a cash deficit balance of \$280,179.

**Note 4 – 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	\$343,486	\$192,246	(\$151,240)
Special Revenue	49,575	142,567	92,992
Total	\$393,061	\$334,813	(\$58,248)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,140	\$142,547	\$123,593
Special Revenue	213,860	257,992	(44,132)
Total	\$480,000	\$400,539	\$79,461

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 5 – Deposits and Investments**

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

	<u>2017</u>
Demand deposits	\$170,311

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 7 – Risk Management**

***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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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***

The District's part-time firefighters and Trustees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

**Note 10 – Debt**

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

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$38,051	1.99%

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

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

Year Ending December 31:	Bank Loan
2018	\$9,991
2019	9,991
2020	9,991
2021	9,991
Total	<u><u>\$39,964</u></u>

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**NORTHWEST FIRE AND AMBULANCE DISTRICT***Preble County**Combined Statement of Receipts, Disbursements and  
Changes In Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$163,387	\$0	\$163,387
Charges for Services	8,349	99,125	107,474
Intergovernmental	22,477	0	22,477
Earnings on Investments	457	0	457
Miscellaneous	2,815	0	2,815
<i>Total Cash Receipts</i>	<u>197,485</u>	<u>99,125</u>	<u>296,610</u>
<b>Cash Disbursements</b>			
Current Disbursements:			
Security of Persons and Property:			
General Government	146,190	0	146,190
Public Safety	0	210,673	210,673
Capital Outlay	47,104	0	47,104
<i>Total Cash Disbursements</i>	<u>193,294</u>	<u>210,673</u>	<u>403,967</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>4,191</u>	<u>(111,548)</u>	<u>(107,357)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Loan Proceeds	47,104	0	47,104
<i>Total Other Financing Receipts (Disbursements)</i>	<u>47,104</u>	<u>0</u>	<u>47,104</u>
<i>Net Change in Fund Cash Balance</i>	51,295	(111,548)	(60,253)
<i>Fund Cash Balances, January 1</i>	<u>349,496</u>	<u>(53,906)</u>	<u>295,590</u>
<b>Fund Cash Balances, December 31</b>			
Unassigned (Deficit)	<u>400,791</u>	<u>(165,454)</u>	<u>235,337</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$400,791</u></u>	<u><u>(\$165,454)</u></u>	<u><u>\$235,337</u></u>

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

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# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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## **Note 1 – Reporting Entity**

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

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

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

### ***Basis of Presentation***

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

### ***Fund Accounting***

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

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

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

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

# NORTHWEST FIRE AND AMBULANCE DISTRICT

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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## ***Budgetary Process***

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

## ***Deposits and Investments***

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

## ***Capital Assets***

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

## ***Accumulated Leave***

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

## ***Fund Balance***

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

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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

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

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

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

**Note 3 – Compliance**

Contrary to Ohio law, appropriation authority exceeded estimated resources in the MCA Fund by \$214,500 for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the MCA Fund had a cash deficit balance of \$165,454.

**Note 4 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$674,000	\$244,589	(\$429,411)
Special Revenue	0	99,125	99,125
Total	\$674,000	\$343,714	(\$330,286)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,340	\$193,294	\$66,046
Special Revenue	214,500	210,673	3,827
Total	\$473,840	\$403,967	\$69,873

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 5 – Deposits and Investments**

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

	<u>2016</u>
Demand deposits	\$235,337

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 7 – Risk Management**

***Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT**

*Preble County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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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***

The District's part-time firefighters and Trustees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 2 percent during calendar year 2016. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2016.

**Note 10 – Debt**

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

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$47,104	1.99%

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

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

Year Ending December 31:	Bank Loan
2017	\$9,991
2018	9,991
2019	9,991
2020	9,991
2021	9,991
Total	<u><u>\$49,955</u></u>

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# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with 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 by fund type of Northwest Fire and Ambulance District, Preble 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 August 26, 2019, 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. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services receipts and disbursements for General Government and Public Safety for the months of July through December 2017.

### ***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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-004 through 2017-008 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2017-001 through 2017-003.

***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.



Keith Faber  
Auditor of State

Columbus, Ohio

August 26, 2019

**NORTHWEST FIRE AND AMBULANCE DISTRICT  
PREBLE COUNTY**

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

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2017-001**

**Noncompliance - Appropriations Exceeding Estimated Resources**

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

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

<b>Date</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
December 31, 2016	\$ 0	\$214,500	(\$214,500)
December 31, 2017	\$49,575	\$213,860	(\$164,285)

This could result in the District expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the District being unable to meet its current obligations.

The District should verify that estimated resources are sufficient to cover appropriations at the time of certification or amendment.

**Official's Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2017-002**

**Noncompliance - Expenditures Exceeding Appropriations**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated. In addition, **Ohio Rev. Code Section 5705.40** states, in part, any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Due to improper monitoring of budgetary activity, unadjusted budgetary expenditures exceeded appropriations for the Special Revenue Fund as follows:

<b>Date</b>	<b>Appropriation Authority</b>	<b>Total Expenditures</b>	<b>Variance</b>
December 31, 2017	\$213,860	\$233,635	(\$19,775)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources and deficit spending.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Official's Response:**

Officials did not provide a response to this finding.

### FINDING NUMBER 2017-003

#### Noncompliance - Negative Fund Balance

**Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

Due to improper monitoring of revenues and related expenditures, the District had a negative fund balance in the Special Revenue Fund at December 31, 2017 and 2016 in the amounts of \$280,179 and \$165,454, respectively.

The District should implement procedures to monitor fund cash balances throughout the year and monitor individual funds to verify that resources are used for allowable purposes and also that resources are used for allowable purposes. When expenditures are anticipated to temporarily exceed available resources, the District should consider an advance from the General Fund. The District should refer to Auditor of State Audit Bulletin 97-003 for guidance on the accounting treatment and approval of advances.

#### Official's Response:

Officials did not provide a response to this finding.

### FINDING NUMBER 2017-004

#### Material Weakness - Financial Statement Misstatements

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal 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.

All financial information should be correctly reported and classified in the annual financial statements. Due to lack of proper training of the Fiscal Officer, the District's financial statements for 2017 and 2016 contained material errors which required re-classifications and adjustments to correctly report the financial activity during the audit period as follows:

- In 2016, loan proceeds and related capital outlay expenditure in the General Fund were both understated by \$227 due to the erroneous exclusion of financed fees. In addition, the loan proceeds were incorrectly recorded as other financing sources instead of loan proceeds and the related expenditure was incorrectly recorded as other instead of capital outlay, both in the amount of \$46,877 in the General Fund.
- In 2017, loan principal and interest repayment of \$9,991 was incorrectly combined and reported as principal retirement in the General Fund. As a result, principal retirement was overstated by \$937 and interest and fiscal charges was understated by the same amount.
- Homestead and rollback receipts were incorrectly reported as property taxes revenue instead of intergovernmental revenue in the General Fund in 2017 and 2016. As a result, intergovernmental revenue was understated by \$21,904 and \$21,990, respectively, and property taxes revenue was overstated by these same amounts.
- EMS charges for services receipts were erroneously recorded as property taxes revenue instead of charges for services revenue in the Special Revenue Fund in 2017. As a result, property taxes revenue was overstated by \$90,492 and charges for services revenue was understated by this same amount.
- In 2017, the District failed to record the receipt of two EMS grants from the State of Ohio in the amounts of \$1,455 and \$1,045. As a result, Special Revenue Fund intergovernmental revenue was understated by \$2,500. The District posted adjustments to their accounting system.

**FINDING NUMBER 2017-004**  
**(Continued)**

- General Fund payroll disbursements for administrative purposes were erroneously reported as public safety disbursements instead of general government disbursements in the amount of \$56,798 during 2016 and in the amount of \$49,064 during 2017. As a result, public safety disbursements were overstated and general government disbursements were understated by these amounts.
- General Fund general government disbursements erroneously included items related to the EMS operations that should have been accounted for in the Special Revenue Fund during 2016. As a result, General Fund general government disbursements were overstated by \$27,567 and Special Revenue Fund public safety disbursements were understated by this same amount. The District posted adjustments to the accounting system.
- General Fund general government disbursements erroneously included items related to the EMS operations that should have been accounted for in the Special Revenue Fund during 2017. As a result, General Fund general government disbursements were overstated by \$23,657, Special Revenue Fund public safety disbursements were understated by \$21,265 and Special Revenue Fund general government disbursements were understated by \$2,392. The District posted adjustments to the accounting system.

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

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

**Official's Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2017-005**

**Material Weakness - Jackson Township Contracts**

The District had annual agreements in place with Jackson Township for providing fire protection and emergency medical services during 2016 and 2017. The agreements provided that the Township was required to pay the District as follows:

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

During 2016, the District did not bill the Township for the annual fire protection fee or for fire/EMS runs occurring in three out of four (75%) quarters during the year.

During 2017, the District did not bill the Township for the annual fire protection fee or for fire/EMS runs occurring in four out of four (100%) quarters during the year.

The District should bill the Township for all fire and EMS services provided in accordance with the annual agreements. Failure to do so may result in underpayments or overpayments for fire protection and emergency medical services and possible findings for recovery in the future. The District billed and received from Jackson Township the contract amounts noted above during 2018.

**Official's Response:**

Officials did not provide a response to this finding.

#### **FINDING NUMBER 2017-006**

##### **Material Weakness - MCA User Entity Controls**

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

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

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

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

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

##### **Official's Response:**

Officials did not provide a response to this finding.

#### **FINDING NUMBER 2017-007**

##### **Material Weakness - Cash Reconciliations and Financial Activities**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

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

At December 31, 2016 the reconciled bank balance was \$1,729 higher than the cash book balance. At December 31, 2017 the reconciled bank balance was \$8,961 higher than the cash book balance.

**FINDING NUMBER 2017-007  
(Continued)**

The annual financial reports prepared by the Fiscal Officer did not accurately report ending fund cash balances due to footing and cross footing errors. The accompanying financial statements have been corrected for these errors. The District has also adjusted its accounting records.

In 2016 we noted the following differences in reporting total expenditures:

\$397,600 per the appropriation ledger  
\$403,739 per the annual financial report  
\$393,416 per the cash journal

In 2016 we noted the following differences in reporting total revenues:

\$343,486 per the revenue ledger  
\$343,486 per the annual financial report  
\$338,909 per the cash journal

In 2017 we noted the following differences in reporting total expenditures:

\$399,839 per the appropriation ledger/budget spreadsheet  
\$399,839 per the annual financial report  
\$181,403 per the cash journal

In 2017 we noted the following differences in reporting total revenues:

\$332,312 per the revenue ledger/budget spreadsheet  
\$332,312 per the annual financial report  
\$197,198 per the cash journal

In 2017, the District did not complete manual cash journals, receipt ledgers, or appropriation ledgers for the months of July through December. We were able to use budget spreadsheets prepared by the Fiscal Officer to compile recorded revenues and expenditures during these months. We were able to obtain sufficient audit evidence supporting the amounts reported as Property and Other Local Taxes, Intergovernmental receipts, and Debt Service disbursements. However, we were unable to obtain sufficient audit evidence supporting the amounts reported as Charges for Services receipts, and General Government, and Public Safety disbursements.

The 2016 and 2017 subsidiary payroll records did not have totals to reconcile the total payroll for each year to the general ledger for each year.

Accurate reconciliations and financial reports are a basic and essential internal control component for sound fiscal management. District officials rely on accurate reconciliations and financial reports to make sound financial decisions. Lack of oversight over the District's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed. Failure to properly reconcile and resolve the variances noted above could result in the District being declared unauditible in the future.

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

**Official's Response:**

Officials did not provide a response to this finding.

**FINDING NUMBER 2017-008**

**Material Weakness - Pay Rates**

All employees should be paid Board approved pay rates. We tested 33 employee paychecks for 2016 and 33 employee paychecks for 2017. For the employee paychecks selected for testing the District maintained a salary schedule documenting employee pay rates. However, there was no evidence that the Board approved the salary schedule.

Failure to maintain accurate documentation of employee pay rates could result in over/under payment of wages and possible findings for recovery in the future.

The District should implement procedures to maintain approved salary schedules or to document approved wage rates in the minutes.

**Official's Response:**

Officials did not provide a response to this finding.



*NORTHWEST FIRE & AMBULANCE DISTRICT*  
 135 North Washington Street  
 P.O. Box 66  
 New Paris, Ohio 45347

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Financial activity was not properly reported	Not corrected—re-issued as Finding 2017-004	The District will implement corrective action going forward.
2015-002	The District did not maintain a salary schedule	Not corrected—re-issued as Finding 2017-008	The District will implement corrective action going forward.
2015-003	The District did not complete accurate annual financial reports or cash reconciliations	Not corrected—re-issued as Finding 2017-007	The District will implement corrective action going forward.
2015-004	The District had a negative fund balance in the Special Revenue Fund at December 31, 2015.	Not corrected—re-issued as Finding 2017-003	The District will implement corrective action going forward.
2015-005	Appropriations exceeded estimated resources	Not corrected—re-issued as Finding 2017-001	The District will implement corrective action going forward.
2015-006	Expenditures exceeded appropriations	Not corrected—re-issued as Finding 2017-002	The District will implement corrective action going forward.

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# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWEST FIRE AND AMBULANCE DISTRICT**

**PREBLE 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  
OCTOBER 1, 2019**