



**Auditor of State
Betty Montgomery**

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

North Central Ambulance District
Preble County
509 East Avenue
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of North Central Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements referred to above exclude cash receipts, disbursements and balances related to an account used by the Rescue Members for donations and fund raisers. We believe these accounts should be included with this presentation. We were unable to determine the amounts of the omitted account.

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

In our opinion, except for the omission of the cash activity described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the District as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

October 5, 2004

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002**

	2003	2002
Cash Receipts:		
Local Taxes	\$57,785	\$57,169
Intergovernmental	11,375	11,876
Charges for Services	23,439	22,691
Earnings on Investments	1,069	2,017
Other Revenue	2,698	6,307
Total Cash Receipts	96,366	100,060
Cash Disbursements:		
Current:		
Public Safety	73,222	177,709
Debt Service:		
Redemption of Principal	25,312	9,305
Interest and Fiscal Charges	3,054	1,695
Total Cash Disbursements	101,588	188,709
Total Receipts (Under) Disbursements	(5,222)	(88,649)
Other Financing Receipts:		
Loan Proceeds		74,627
Total Other Financing Receipts	0	74,627
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(5,222)	(14,022)
Fund Cash Balances, January 1	47,023	61,045
Fund Cash Balances, December 31	\$41,801	\$47,023
Reserve for Encumbrances, December 31	\$497	\$1,544

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

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**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

North Central Ambulance District, Preble County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed three-member Board of Trustees. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are the Village of West Manchester, the Village of Eldorado, and Monroe Township. The District provides ambulance services within the District and by mutual aid agreement to areas outside the District.

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

B. Basis of Accounting

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

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Budgetary Process

The Ohio Revised Code requires that the District budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting. A review was performed to determine the amount of encumbrances at year-end which were not encumbered. The budgetary presentations have been adjusted to include material unreserved encumbrances outstanding at December 31, 2003 and 2002.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. CASH AND DEPOSITS

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

	2003	2002
Demand deposits	\$14,801	\$20,023
Certificates of deposit	27,000	27,000
Total deposits	\$ 41,801	\$ 47,023

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$68,500	\$96,366	\$27,866

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$115,500	\$102,085	\$13,415

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$73,255	\$174,687	\$101,432

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$134,300	\$190,253	(\$55,953)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$55,953 for the year ended December 31, 2002.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance Loan	\$33,890	5.5%
Heart Monitor Loan	6,263	4.0%
Total	<u>\$40,153</u>	

The ambulance commercial bank loan was obtained in 2002 to finance the purchase of a new ambulance. The loan will be repaid in semi-annual payments of \$7,192.87, including interest. The loan is secured by the ambulance.

The heart monitor commercial bank loan was obtained in 2002 to finance the purchase of a new heart monitor. The loan will be repaid in annual payments of \$6,514.49, including interest. The loan is secured by the heart monitor.

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

	<u>Ambulance Loan</u>	<u>Heart Montior Loan</u>
Year ending December 31:		
2004	\$14,384	\$6,514
2005	14,384	
2006	8,030	
Total	<u>\$36,798</u>	<u>\$6,514</u>

6. RETIREMENT SYSTEMS

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The District has paid all contributions required through December 31, 2003.

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.

8. COMPLIANCE

The District did not prepare or file their annual report for fiscal years 2002 and 2003.



Auditor of State Betty Montgomery

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

North Central Ambulance District
Preble County
509 East Avenue
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of North Central Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 5, 2004, which was qualified due to the omission of the activity from the Rescue Members account. Except for this matter, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that Item 2003-006 described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 5, 2004.

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

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

Betty Montgomery
Auditor of State

October 5, 2004

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 117.38, requires that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

The District did not prepare or file their annual report for fiscal years 2002 and 2003. The District was billed \$750 for fiscal year 2002 and will be billed an additional \$750 for fiscal year 2003. Failure to prepare annual reports reduces the accountability over District funds and reduces the Board's ability to monitor financial activity. Failure to file annual reports can result in penalties. We recommend the District prepare and file their annual report within 60 days of fiscal year end.

FINDING NUMBER 2003-002

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 149.351, establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Sections 149.38 to 149.42.

Adequate supporting documentation was not maintained for four expenditures; two of which were credit card purchases and the purchase slip was not included and one where payment was made from a statement and was not detailed. One expenditure to Walmart for \$33.29 did not have a receipt documenting what was purchased. Two deposit slips could not be located. Failure to maintain accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. It could also affect the District's ability to issue debt or receive grants.

Timecards could not be found for 26 of 40 disbursements selected (65%). These were day crew payments. Failure to maintain timecards may result in employees being paid for more or less hours than actually worked.

Efforts should be made by the District to maintain all accounting records. We recommend that a written inventory or the records noting the description and location of each record be completed.

FINDING NUMBER 2003-003

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 as of April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Trustees, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-004

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41(B), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. For 2002 expenditures exceeded appropriations by \$55,953. This resulted from failing to account for loan monies disbursed on behalf of the District. Failure to limit expenditures to appropriations may result in negative fund balances. We recommend that the District limit expenditures to the appropriated amount and account for all on-behalf activity.

The Clerk did not record the Eaton National Bank loan monies disbursed on behalf of the District, nor was the loan money included in the appropriations by the District for fiscal year 2002. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$62,147 for the year ended December 31, 2002. Failure to properly recognize all financial activities may result in misleading financial statements. We recommend the District recognize all financial activities.

FINDING NUMBER 2003-005

Reportable Condition

The District did not remit their withholdings and contributions in a timely manner. They were assessed late charges.

- The District paid federal tax penalties of \$314.82 in 2002 and \$442.13 in 2003. The 2003 withholdings were not submitted until 2004; therefore, the District will incur penalties for these withholdings as well. Federal withholdings were submitted in January of the following year for both 2002 and 2003, rather than quarterly as required.
- State withholding for 2002 were submitted in October and December, rather than quarterly as required. State withholdings for 2003 were submitted in February of the following year, rather than quarterly as required.
- School District Income Tax withholdings for 2002 were submitted in October and December, rather than quarterly as required. School District Income Tax withholdings for 2003 were submitted in September 2003 and January 2004, rather than quarterly as required.
- PERS remittances were submitted in October and December for 2002 rather than monthly for the employee portion and quarterly for the employer portion. 2003 PERS remittances were submitted in September 2003 and January 2004 rather than monthly for the employee portion and quarterly for the employer portion. In addition, in 2002, the District paid \$65 more than required which may be attributed to late fees.

All retirement and tax contributions should be remitted by the due date. Failure to remit retirement and tax contributions in a timely manner can result in penalties. We recommend that the District remit retirement and tax contributions by the due date.

Taxes withheld did not agree to the W-2's. For 2002, there were discrepancies between the payroll ledgers and the W-3 for Medicare tax, state income tax, and school district tax withheld. For 2003, there were discrepancies between the payroll ledgers and the W-3 for federal tax, Medicare tax, and state income tax withheld. Failure to properly report taxes withheld may result in penalties. We recommend the District properly report all taxes withheld to the federal and state government.

Form 941 did not agree to the payroll ledger withholdings for federal tax for the third quarter of 2003. The payroll ledger indicated \$713 of federal tax withheld and Form 941 reported \$690.94. This resulted in the District under submitting withholdings in the amount of \$22.06. Failure to properly report and submit withholdings may subject the District to IRS penalties. We recommend the District properly report and submit withholdings.

Form IT-501 did not agree to the payroll ledger withholdings for state tax for the third quarter of 2003. The payroll ledger indicated \$155.26 of state tax withheld and Form IT-501 reported \$86.90. This resulted in the District under submitting withholdings in the amount of \$68.36. Failure to properly report and submit withholdings may subject the District to penalties. We recommend the District properly report and submit withholdings.

The total potential late fees and penalties described in this Finding and Finding 2003-001 exceed \$2,422. This is more than 5% of the December 31, 2003 fund balance of \$41,801.

FINDING 2003-006

Reportable Condition / Material Weakness

North Central Rescue has a separate bank account, in which the activity is not reflected in the District's financial records or statements. Such activity should be included in order to conform with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

North Central Rescue collected donations and other monies and deposited these funds into the bank account noted above. They also expended funds from the above accounts without the use of purchase orders or approvals. Documentation was not provided to determine the amount of receipts and expenditures for the audit period. The ending balance of the General Fund would have increased by \$357 for 2002 and by \$235 for 2003.

We recommend all North Central Rescue receipts and expenditures be accounted for on the District's financial records. All accounting entries should be posted in chronological order and reflect year-to-date totals. North Central Rescue's records should be reconciled with the bank activity on a monthly basis. Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of District activity.

We recommend that the District implement a policy concerning all District financial activity. All financial activity of the District should be accurately presented in the District's financial statements and reviewed by the Board of Trustees for reasonableness.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40368-001	Revised Code 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2003-003.
2001-40368-002	Failure to assure completeness and accuracy of ambulance service billings processed by their third-party administrator.	Yes	
2001-40368-003	Failure to account for receipts and expenditures related to a separate bank account.	No	Not corrected – reissued as Finding 2003-007.



**Auditor of State
Betty Montgomery**

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**NORTH CENTRAL 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
NOVEMBER 4, 2004**