



**Auditor of State  
Betty Montgomery**



**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Southeastern Hardin Ambulance District  
Hardin County  
P.O. Box 85  
Mt. Victory, Ohio 43340

To the Board of Trustees:

We have audited the accompanying financial statements of Southeastern Hardin Ambulance District, Hardin County, (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.

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, the financial statements referred to above present fairly, in all material respects, the fund cash balance 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 July 20, 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 the 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

July 20, 2004

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

<b>Cash Receipts:</b>	
Local Taxes	\$13,345
Intergovernmental	2,429
Charges for Services	6,835
Earnings on Investments	347
Miscellaneous	<u>132</u>
Total Cash Receipts	<u>23,088</u>
<b>Cash Disbursements:</b>	
Current:	
Public Safety	13,999
Miscellaneous	3,171
Debt Service	
Redemption of Principal	8,660
Interest	<u>2,673</u>
Total Cash Disbursements	<u>28,503</u>
Total Receipts (Under) Disbursements	(5,415)
Fund Cash Balance, January 1	<u>24,113</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$18,698</u></u>

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

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

<b>Cash Receipts:</b>	
Local Taxes	\$12,886
Intergovernmental	2,384
Charges for Services	11,206
Earnings on Investments	639
Miscellaneous	<u>1,687</u>
Total Cash Receipts	<u>28,802</u>
<b>Cash Disbursements:</b>	
Current:	
Public Safety	16,029
Miscellaneous	6,512
Capital Outlay	1,952
Debt Service	
Redemption of Principal	8,456
Interest	<u>2,877</u>
Total Cash Disbursements	<u>35,826</u>
Total Receipts (Under) Disbursements	(7,024)
Fund Cash Balance, January 1	<u>31,137</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$24,113</u></u>

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



**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Southeastern Hardin Ambulance District, Hardin County, (the "District"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the villages and townships who receive ambulance services from the District. The District provides ambulance service for the Villages of Mt. Victory and Ridgeway, and the Townships of Hale, Taylor Creek, and Dudley.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

The District kept all funds in demand deposit accounts.

**D. Fund Accounting**

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

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources.

**E. Budgetary Process**

**1. 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

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

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$18,698	\$24,113

**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			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,247	\$23,088	(\$4,159)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,196	\$28,503	(\$1,307)

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,595	\$28,802	\$14,207

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,513	\$35,826	(\$7,313)

During 2003 and 2002, the District had expenditures greater than appropriations which violated the requirements of Ohio Rev. Code Section 5705.41(B).

During 2002, the District received and spent more revenue than budgeted, without obtaining an amended certificate of estimated resources. This violated Ohio Rev. Code Section 5705.36.

**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.

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:

	Principal	Interest Rate
Lease Purchase Agreement	\$39,384	5.65%

During March, 2001, the District entered into a lease purchase agreement, in the amount of \$39,384, for a new ambulance. The final payment is due in 2007.

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

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

**5. DEBT (Continued)**

	General Obligation Notes
Year ending December 31:	
2004	\$11,333
2005	11,333
2006	11,333
2007	11,333
Total	<u>\$45,332</u>

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Ambulance District has obtained commercial insurance for the following risks:

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

**7. SUBSEQUENT EVENTS**

On January 1, 2004, Dudley Township decided to withdraw and transfer its tax dollars from Southeastern Hardin Ambulance District to BKP Ambulance District. A determination has not been made by the Hardin County Auditor as to the financial impact this will have on the Ambulance District.



**Auditor of State  
Betty Montgomery**

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

Southeastern Hardin Ambulance District  
Hardin County  
P.O. Box 85  
Mt. Victory, Ohio 43340

To the Board of Trustees:

We have audited the financial statements of Southeastern Hardin Ambulance District, Hardin County (the "District"), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 20, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-003 and 2003-004.

**Internal Control Over Financial Reporting  
(Continued)**

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. However, we do not believe the reportable conditions described above are material weaknesses. 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 July 20, 2004.

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



**Betty Montgomery**  
Auditor of State

July 20, 2004

**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance**

**Ohio Rev. Code Section 5705.36** allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2002, the District had actual receipts of \$28,802, which were \$14,207 greater than the budgeted receipts. The District spent these additional revenues without requesting an amended certificate of estimated resources from the County Auditor.

The District should monitor actual revenues versus budgeted, to help identify instances when it needs to obtain an amended certificate of estimated resources.

Also, **Ohio Rev. Code 5705.36** states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. During 2003, the District did not certify the available resources to the County Auditor until March and during 2002, this certification was not done until June.

The failure to complete and file this document in a timely manner prevents the County Auditor from completing other required budgetary forms which result in deficit spending and/or negative fund balances. Procedures should be implemented by the District help ensure the timely and accurate completion of this document.

**FINDING NUMBER 2003-002**

**Noncompliance**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. During 2003 and 2002, expenditures exceeded appropriations in the General Fund by \$7,313 and \$1,307, respectively. When expenditures exceed appropriations the potential for negative fund balances is greatly increased.

The District should implement monitoring procedures to help ensure that expenditures do not exceed appropriations at the legal level of control

**FINDING NUMBER 2003-003**

**Reportable Condition**

**Accuracy and Completeness of Billings Performed by a Service Organization**

When an entity uses an outside organization to process financially significant accounting transactions the entity should obtain a SAS 70 report for the outside organization. The District uses another ambulance district to perform their billing function, however the District does not obtain the audit report of the ambulance district or perform any procedures to help assure the accuracy and completeness of the billings. The failure to monitor the activity of this ambulance district could result in a loss of revenue to the District.

The District should obtain the most recent audit report of the ambulance district that performs their billings function. This report should be reviewed for comments that may impact the billing function. In addition, the District should implement procedures to help assure the completeness of the billings performed by the ambulance district.

**FINDING NUMBER 2003-004**

**Reportable Condition**

**Determination of Employee versus Independent Contractor**

To help assure the correct treatment of an individual as an employee or independent contractor, an entity should obtain guidance from an appropriate agency. The District considered their clerk to be an independent contractor and as a result did not withhold income taxes or retirement from her wages. However, they did not have support for classifying the position of clerk as an independent contractor. This could result in the District being liable for both the employee and employer contributions, along with penalties and interest, on all wages paid to the individual(s) who have held the clerk's position.

The District should contact the Internal Revenue Service and/or Ohio Public Employees Retirement System for a determination as to whether or not the clerk's position should be classified as that of an employee or independent contractor. Evidence supporting the decision should be maintained by the District. If it is determined that this position should be classified as that of an independent contractor, the District should prepare a written contract with the individual filling the position.



**SOUTHEASTERN HARDIN AMBULANCE DISTRICT  
HARDIN 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>
2001-40233-001	ORC Sec. 5705.36 - Certification of the total amount available for expenditures.	No	Repeated as Finding 2003-001
2001-40233-002	ORC Sec. 5705.38 & 5705.41 (B) – Failure to adopt appropriations and expenditures greater than appropriations.	No	Partially corrected. ORC Sec. 5705.41(B) repeated as Finding 2003-002
2001-40233-003	ORC Sec. 5705.41 (D) - Prior certificate of expenditures.	No	Partially corrected, repeated in management letter
2001-40233-004	Accuracy and completeness of billings performed by a service organization	No	Repeated as Finding 2003-003





**Auditor of State  
Betty Montgomery**

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**SOUTHEASTERN HARDIN AMBULANCE DISTRICT**

**HARDIN 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  
SEPTEMBER 9, 2004**