



Dave Yost • Auditor of State



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

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Southeastern Hardin Ambulance District, Hardin County, (the District) for the years ended December 31, 2015 and 2014.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the District's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the District's financial statements, transactions or balances for the years ended December 31, 2015 or 2014.

The District's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

1. We examined the two bank reconciliations presented for December 31, 2015. The reconciliation presented for the checking account held at Mount Victory State Bank included Uncleared Transactions – Checks and Payments in the amount of \$22,693.13. A portion of this amount totaling \$19,956.65 is related to posting errors that have not been corrected by the Clerk. The errors relate to double entries, voided checks, and journal entry errors related to recording Certificates of Deposits that were cashed in and deposited in the checking account. In addition, there were Uncleared Transactions – Deposits and Credits of \$13,055.81. This amount consisted of \$6,394.79 in errors from the prior engagement that have not been corrected. Of the remaining amount, \$5,000 was related to a certificate of deposit transfer journal entry error. The remaining amount of \$1,661.02 is the result of posting errors.

The reconciliation presented for the account held at Home Savings and Loan included Uncleared Transactions – Checks and Payments in the amount of \$367.60. This amount included recording errors related to a flat fee charged by the bank of \$5.00, \$5.77 related to a double entry, and \$356.83 related to a journal entry error. In addition, there were Uncleared Transactions - Deposits and Credits in the amount of \$3,557.09 which included deposits in the amount of \$500.00, \$700.00, and two \$1,000.00 amounts that were entered twice into the system that had not been corrected. The remaining amount of \$357.09 is the result of errors in transaction posting.

Reconciliations with unsupported reconciling items or errors impact the District's ability to monitor financial operations and could lead to irregularities that are not detected. The District should resolve all reconciling items. In addition, the Clerk should present the Board with one reconciliation that includes all accounts under the control of the District. Also, either additional training on the current accounting system or changing to a new accounting system should be considered to help eliminate errors.

Current Year Observations (Continued)

2. The Balance Sheet at December 31, 2015 had total assets and equity of \$5,241.92. The balance sheet had the following errors:
- The Home Saving and Loan balance was reported at \$147.06 instead of the carrying amount of \$3,341.54 as reported on the December 31, 2015 reconciliation;
 - The demand deposit account held at Mount Victory State Bank in the amount of \$1,069.26 was not included;
 - One certificate of deposit in the amount of \$2,500 held at Mount Victory State Bank which was previously cashed in was included on the Balance Sheet and should not have been;
 - A Mount Victory State Bank –Other amount was shown as a negative \$4,905.14 and there was no documentation to support this amount; and
 - The checking account held at Mount Victory State Bank, with a carrying amount of \$3,635.17 at December 31, 2015 was not included.

The failure to report accurate and complete balances in the system and year-end financial statements not only impacts the users of the financial statements but may result in the material misstatement of the financial statements.

Procedures should be implemented to help assure the year-end financial statements include all accounts under the control of the District. In addition, either additional training on the current accounting system or changing to a new accounting system should be considered to help eliminate errors.

3. The District is governed by a four-member Board of Trustees appointed by the two villages and two townships that receive ambulance services. This structure is consistent with an entity formed under Ohio Rev. Code Section 505.375(A)(1)(a) which is an ambulance district formed by the boards of one or more townships and the legislative authorities of one or more municipal corporations. The District was unable to provide a copy of the legal document creating the District.

The failure to maintain a copy of this document could impact the District's ability to operate as intended and could result in unnecessary legal costs in the event the organizational structure was challenged.

The District should obtain copies of the document(s) from the political subdivisions that established the District. The document(s) should then be maintained by the District for future reference.

4. The District did not certify to the county auditor, for either 2015 or 2014, the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. As a result, Ohio Rev. Code Section 5705.36 was violated, and the county auditor was inhibited from completing other required budgetary documents for the District. In addition there was no evidence that the District filed any other required budgetary documents with the county auditor. The failure to file budgetary documents such as the annual appropriations resolution prevents the District from having legally approved appropriations which violates Ohio Rev. Code Section 5705.39.

The failure to have legally adopted appropriations results in all expenditures exceeding appropriations which violates Ohio Rev. Code Section 5705.41(B). In addition, the actual disbursements in 2015 of \$46,923 exceeded the appropriations adopted in the amount of \$43,704, but not filed with the County Auditor, by \$3,219.

Current Year Observations (Continued)

The District should review the Ohio Compliance Supplement and then develop a checklist that identifies the required approval and filing dates for budgetary documents. In addition, actual disbursements should be monitored to help ensure that appropriations are not exceeded and to reduce the risk of deficit spending.

5. The individuals responsible for the operations of the District are not considered employees and are issued 1099's at year-end. However, the District has not obtained a ruling from the Internal Revenue Service or the Ohio Public Employees Retirement System as to whether on the positions of fiscal officer and EMTs should be classified as employees or independence contractors.

The lack of such a ruling could result in the District being liable for both the employee and employer tax contributions, along with penalties and interest, on all wages paid to these individuals. The amount of these contributions, penalties, and interest could have a material impact on the operations and financial statements of the District.

The District should contact legal counsel, the Internal Revenue Service, and/or the Ohio Public Employees Retirement System for a determination as to whether or not the clerk and EMT positions 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 these positions should be classified as that of an independent contractor, the District should prepare a written contract with each individual and issue any required 1099's at year-end. If it is determined that these individuals should be classified as employees, the District should start withholding all applicable payroll taxes and retirement system contributions for each individual. The District should also consult with its legal representation as to how to handle previously unpaid payroll taxes and retirement system contributions.

6. **Ohio Rev. Code §117.38** states entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. For the years ended December 31, 2015 and 2014, the District did not file an annual report within 60 days of the fiscal year-end.

The statements filed in 2015 and 2014 did not include opening and ending balances. Starting in 2015 the notes to the financial statements are part of the required filing but were not included in the District's filing.

The District should ensure that its annual financial reports are timely filed with the Auditor of State and that the filings are complete. The failure to file complete annual financial statements in a timely manner may result in the District not being eligible for reduced audit procedures in the future, such as a basic or agreed upon procedures.

Current Status of Matters we Reported in our Prior Engagement

7. The matters reported in our prior engagement have been repeated above.



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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
NOVEMBER 15, 2016**