



Dave Yost • Auditor of State

**JOINT EMERGENCY MEDICAL SERVICES DISTRICT
WARREN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Joint Emergency Medical Services District
Warren County
201 E. Sixth Street
Franklin, Ohio 45005

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 the Joint Emergency Medical Services District, Warren County, (the District) as of and for the years ended December 31, 2016 and 2015.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for services are reported at \$361,696, and \$360,711 for the years ended December 31, 2016 and 2015, respectively, which are 26% and 25% of Special Revenue Fund receipts for the years ended December 31, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the completeness and accuracy of the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Joint Emergency Medical Services District, Warren County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 27, 2017

Joint Emergency Medical Services District
Warren 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

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$900,543	\$0	\$900,543
Charges for Services		361,696	361,696
Intergovernmental	207,691		207,691
<i>Total Cash Receipts</i>	<u>1,108,234</u>	<u>361,696</u>	<u>1,469,930</u>
Cash Disbursements			
Current Disbursements:			
General Government	939,319		939,319
Public Safety		84,757	84,757
Human Services	996		996
Other	75,000		75,000
Capital Outlay	6,059		6,059
Debt Service:			
Principal Retirement		44,560	44,560
Interest and Fiscal Charges		7,025	7,025
<i>Total Cash Disbursements</i>	<u>1,021,374</u>	<u>136,342</u>	<u>1,157,716</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>86,860</u>	<u>225,354</u>	<u>312,214</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	12,209		12,209
<i>Total Other Financing Receipts</i>	<u>12,209</u>	<u>0</u>	<u>12,209</u>
<i>Net Change in Fund Cash Balance</i>	99,069	225,354	324,423
<i>Fund Cash Balances, January 1</i>	<u>332,139</u>	<u>618,450</u>	<u>950,589</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	843,804	843,804
Committed	0	0	0
Assigned	3,550	0	3,550
Unassigned (Deficit)	427,658	0	427,658
<i>Fund Cash Balances, December 31</i>	<u>\$431,208</u>	<u>\$843,804</u>	<u>\$1,275,012</u>

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

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Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Joint Emergency Medical Services District, Warren County, (the District) as a body corporate and politic. A two-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Carlisle and Franklin Township. Joint Emergency Medical Service provides EMS service 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 Special Revenue Fund:

EMS Fund This fund accounts for monies received through billings for charges for services.

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.

Budgetary Process

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

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2016

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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The District has only one account and that is a checking account.

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.

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.

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2016

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 – 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	\$1,120,444	\$1,120,443	(\$1)
Special Revenue	361,695	361,696	1
Total	<u>\$1,482,139</u>	<u>\$1,482,139</u>	<u>\$0</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,371,639	\$1,024,924	\$346,715
Special Revenue	868,450	183,757	684,693
Total	<u>\$2,240,089</u>	<u>\$1,208,681</u>	<u>\$1,031,408</u>

Note 4 – Deposits and Investments

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

	2016
Demand deposits	<u>\$1,275,012</u>
Total deposits	<u>1,275,012</u>

Joint Emergency Medical Services District
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All 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.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulances Promissory Note	<u>\$153,191</u>	3.89%
Total	<u><u>\$153,191</u></u>	

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

Year ending December 31:	<u>Bank Loan</u>
2017	\$51,702
2018	51,702
2019	51,702
2020	<u>7,921</u>
Total	<u><u>\$163,027</u></u>

Note 10 – Related Party Transactions

The District contracts with Medicount Management, Inc. for billing and collection of its EMS services. Chief Andy Riddiough's wife, Anne Riddiough works for Medicount as an account manager and the District is one of her accounts.

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Joint Emergency Medical Services District
Warren County
Combined Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$883,959	\$0	\$883,959
Charges for Services		360,711	360,711
Intergovernmental	229,274		229,274
<i>Total Cash Receipts</i>	<u>1,113,233</u>	<u>360,711</u>	<u>1,473,944</u>
Cash Disbursements			
Current Disbursements:			
General Government	1,001,888		1,001,888
Public Safety		53,122	53,122
Human Services	784		784
Other	75,000		75,000
Capital Outlay	82,206	233,476	315,682
Debt Service:			
Principal Retirement		35,694	35,694
Interest and Fiscal Charges		7,391	7,391
<i>Total Cash Disbursements</i>	<u>1,159,878</u>	<u>329,683</u>	<u>1,489,561</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>(46,645)</u>	<u>31,028</u>	<u>(15,617)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	583	233,476	234,059
<i>Total Other Financing Receipts</i>	<u>583</u>	<u>233,476</u>	<u>234,059</u>
<i>Net Change in Fund Cash Balance</i>	(46,062)	264,504	218,442
<i>Fund Cash Balances, January 1</i>	<u>378,201</u>	<u>353,946</u>	<u>732,147</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	618,450	618,450
Committed	0	0	0
Assigned	2,845	0	2,845
Unassigned (Deficit)	329,294	0	329,294
<i>Fund Cash Balances, December 31</i>	<u>\$332,139</u>	<u>\$618,450</u>	<u>\$950,589</u>

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

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Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Joint Emergency Medical Services District, Warren County, (the District) as a body corporate and politic. A two-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Carlisle and Franklin Township. Joint Emergency Medical Service provides EMS service 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

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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.

Budgetary Process

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

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2015

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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

The District has only one account and that is a checking account.

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

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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.

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.

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2015

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 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,113,815	\$1,113,816	\$1
Special Revenue	360,711	594,187	233,476
Total	<u>\$1,474,526</u>	<u>\$1,708,003</u>	<u>\$233,477</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,427,701	\$1,162,723	\$264,978
Special Revenue	589,946	329,683	260,263
Total	<u>\$2,017,647</u>	<u>\$1,492,406</u>	<u>\$525,241</u>

Note 4 – Deposits and Investments

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

	2015
Demand deposits	<u>\$950,189</u>
Total deposits	<u>950,189</u>

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The District has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All 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.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health

Joint Emergency Medical Services District

Warren County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulances Promissory Note	\$197,984	3.89%
Total	<u>\$197,984</u>	

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

Year ending	
December 31:	<u>Bank Loan</u>
2016	\$51,702
2017	51,702
2018	51,702
2019	51,702
2020	<u>7,921</u>
Total	<u>\$214,729</u>

Note 10 – Related Party Transactions

The District contracts with Medicount Management, Inc. for billing and collection of its EMS services. Chief Andy Riddiough's wife, Anne Riddiough works for Medicount as an account manager and the District is one of her accounts.

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Dave Yost • Auditor of State

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

Joint Emergency Medical Services District
Warren County
201 E. Sixth Street
Franklin, Ohio 45005

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 Joint Emergency Medical Services District, Warren County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 27, 2017, 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 completeness and accuracy of amounts recorded as charges for services receipts.

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 2016-001 and 2016-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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 Entity'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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 27, 2017

**JOINT EMERGENCY MEDICAL SERVICES DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness and Noncompliance

Ohio Administrative Code 117-2-01 states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Internal control means a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and,
- (4) Safeguarding of assets against unauthorized acquisition, use or disposition.

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- (1) Ensure that all transactions are properly authorized in accordance with management's policies;
- (2) Ensure that accounting records are properly designed;
- (3) Ensure adequate security of assets and records;
- (4) Plan for adequate segregation of duties or compensating controls;
- (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records;
- (6) Perform analytical procedures to determine the reasonableness of financial data;
- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements; and,
- (8) Monitor activities performed by service organizations.

The District uses Medicount Management (Medicount), an EMS billing service, to bill and collect charges for services. While Medicount received an unmodified "Type II" Service Organization Control (SOC 1) report; the report identified complimentary user entity controls that should have been in place at the District. One of the user controls required the District identify one administrative and one District representative for Medicount to address all matters related to EMS Billing. However, the District did not have controls in place to verify the completeness and accuracy of the amounts received from Medicount for billings made on the behalf of the District.

**FINDING NUMBER 2016-001
(Continued)**

The District's personnel used electronic devices to submit patient and billing information to Medicount. The District utilized a lockbox system through which Medicount collections were automatically deposited to the District's account as they were received. The deposits were reflected on the monthly bank statement, and the Fiscal Officer posted the monthly total for all lockbox deposits each month.

We identified the following conditions in the District's monitoring of Medicount's activities:

- The Fiscal Officer did not post individual deposits to the system and did not reconcile the deposits received by Medicount to charges billed.
- Neither the Chief nor the Fiscal Officer reconciled the Medicount reports to the data accessible through the Medicount portal; nor did they perform a monthly reconciliation of the bank deposits to the UAN system.
- The District did not provide support for the charges for services revenue reported in the financial statements. The Fiscal Officer stated that he took the lockbox amount reported on the monthly bank statement and entered it into the accounting system; however, the monthly receipt reports from the accounting system did not match the related amounts on the bank statements.
- The District did not monitor the run type on the run sheet and the run type on the Medicount payment report. Medicount billed for the incorrect run type on 27% and 20% of receipts tested for 2016 and 2015, respectively. The difference was an undercharge of \$205 per run, according to the run sheet, resulting in a loss of 7% and 5% of the 2016 and 2017 EMS runs tested, respectively.

Due to these conditions we were unable to test the completeness and accuracy of Charges for Services reported on the District's financial statements. Charges for services accounted for 26% and 25% of the District's total revenue in 2016 and 2015, respectively.

We recommend that the District create policies and procedures which define the District's responsibilities in monitoring and accounting for the billing and collection of EMS fees collected by Medicount. These policies and procedures should include:

- Reconciliation of the District's internal reports with those provided by Medicount to ensure that all fees are billed and at the correct rate, and that all billings are accounted for as to the amount collected or written off.
- The Trustees monitor and approve these reconciliations monthly.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2016-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The District did not properly report financial activity for the years ended December 31, 2016 and 2015 as noted in the following:

**FINDING NUMBER 2016-002
(Continued)**

- In 2016 and 2015, receipts totaling \$361,696 and \$360,711, respectively, were posted to Licenses, Permits, and Fees instead of Charges for Services.
- In 2015, manufactured home tax receipts and a second half real estate tax receipt totaling \$5,376 in the General Fund were incorrectly posted to Other Financing Sources rather than Property Taxes.
- In 2015, commercial activity tax receipts totaling \$67,291 in the General Fund were incorrectly posted to Other Financing Sources rather than Intergovernmental.
- In 2015, debt payments totaling \$94,670 were posted to Public Safety expenditures rather than \$80,254 in Principal and \$14,416 in Interest expenditures.
- In 2015, the District had recorded \$233,476 in Capital Outlay expenditures for the purchase of two ambulances but did not record the corresponding Loan Proceeds amount.

The District has posted these adjustments to the financial statements.

Failure to accurately report financial activity can result in inaccurate financial statements.

We recommend the District implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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Dave Yost • Auditor of State

WARREN COUNTY JOINT EMERGENCY MEDICAL SERVICES

WARREN 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 12, 2017**