



Dave Yost • Auditor of State

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

TEMS Joint Ambulance District
Jefferson County
P.O. Box 307
Toronto, Ohio 43964-0307

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of TEMS Joint Ambulance District, Jefferson 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.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of TEMS Joint Ambulance District, Jefferson County as of December 31, 2016 and 2015, and its 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 August 24, 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

August 24, 2017

TEMS JOINT AMBULANCE DISTRICT
Jefferson County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
General Fund
For the Year Ended December 31, 2016

	General
Cash Receipts	
Property and Other Local Taxes	\$308,388
Charges for Services	357,063
Intergovernmental	37,525
Earnings on Investments	417
Miscellaneous	24,911
	728,304
<i>Total Cash Receipts</i>	<i>728,304</i>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Salaries	257,431
Fringe Benefits	273,206
Materials and Supplies	41,704
Equipment	27,643
Other	83,000
Capital Outlay	9,442
Debt Service:	
Principal Retirement	38,445
Interest and Fiscal Charges	4,332
	735,203
<i>Total Cash Disbursements</i>	<i>735,203</i>
<i>Excess Receipts Over (Under) Disbursements</i>	<i>(6,899)</i>
<i>Net Change in Fund Cash Balance</i>	<i>(6,899)</i>
<i>Fund Cash Balances, January 1</i>	<i>311,378</i>
Fund Cash Balances, December 31	
Committed	61,626
Assigned	8,076
Unassigned (Deficit)	234,777
	\$304,479
<i>Fund Cash Balances, December 31</i>	<i>\$304,479</i>

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

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of TEMS Joint Ambulance District, Jefferson County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the City of Toronto, the Village of Empire, the Village of Stratton, and Knox Township. The District provides rescue services within the District and by contract to areas outside the District.

The District participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP):

PEP is a risk-sharing pool available to Ohio local governments. The Pool provides property and casualty insurance coverage for its members.

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.

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.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 3 - COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$39,903 for the year ended December 31, 2016.

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$664,034	\$728,304	\$64,270

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$695,300	\$735,203	(\$39,903)

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – DEPOSITS AND INVESTMENTS

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

	<u>2016</u>
Demand deposits	\$191,209
Certificates of deposit	<u>\$113,270</u>
Total deposits	<u><u>\$304,479</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

NOTE 6 – TAXES

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

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

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 – RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District’s share of these unpaid claims collectible in future years is approximately \$9,185.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> <u>\$14,580</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

District 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 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ambulance Loan	\$121,555	2.70%

The District entered into a loan agreement to finance the purchase of a new ambulance.

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

Year ending December 31:	Bank Loan
2017	\$42,777
2018	42,777
2019	42,776
Total	\$128,330

NOTE 11 – SUBSEQUENT EVENTS

On May 2, 2017, voters of the District approved a 2 mill levy which included a 1.5 mills renewal and an increase of 0.5 mill.

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TEMS JOINT AMBULANCE DISTRICT
Jefferson County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
General Fund
For the Year Ended December 31, 2015

	<u>General</u>
Cash Receipts	
Property and Other Local Taxes	\$274,646
Charges for Services	378,015
Intergovernmental	78,153
Earnings on Investments	644
Miscellaneous	19,229
	<u>750,687</u>
<i>Total Cash Receipts</i>	<i>750,687</i>
Cash Disbursements	
Current Disbursements:	
Security of Persons and Property:	
Salaries	266,243
Fringe Benefits	248,808
Materials and Supplies	50,219
Equipment	21,345
Other	85,973
Capital Outlay	194,851
Debt Service:	
Principal Retirement	94,313
Interest and Fiscal Charges	1,942
	<u>963,694</u>
<i>Total Cash Disbursements</i>	<i>963,694</i>
<i>Excess Receipts Over (Under) Disbursements</i>	<i>(213,007)</i>
Other Financing Receipts	
Proceeds of Debt	160,000
	<u>160,000</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<i>160,000</i>
<i>Net Change in Fund Cash Balance</i>	<i>(53,007)</i>
<i>Fund Cash Balances, January 1</i>	<i>364,385</i>
	<u>364,385</u>
Fund Cash Balances, December 31	
Committed	56,399
Assigned	79,266
Unassigned (Deficit)	175,713
	<u>175,713</u>
<i>Fund Cash Balances, December 31</i>	<i>\$311,378</i>
	<u>\$311,378</u>

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

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of TEMS Joint Ambulance District, Jefferson County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the City of Toronto, the Village of Empire, the Village of Stratton, and Knox Township. The District provides rescue services within the District and by contract to areas outside the District.

The District participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP):

PEP is a risk-sharing pool available to Ohio local governments. The Pool provides property and casualty insurance coverage for its members.

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.

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.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 3 - COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$268,394 for the year ended December 31, 2015. In addition, contrary to Ohio Revised Code §133.15, the District entered into a loan agreement with a local bank for the purchase of a new ambulance.

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$618,835	\$910,687	\$291,852

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$695,300	\$963,694	(\$268,394)

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 – DEPOSITS AND INVESTMENTS

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

	<u>2015</u>
Demand deposits	\$198,293
Certificates of deposit	<u>\$113,085</u>
Total deposits	<u><u>\$311,378</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

NOTE 6 – TAXES

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

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

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 – RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<u>2015</u>
Assets	\$38,307,677
Liabilities	(12,759,127)
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District’s share of these unpaid claims collectible in future years is approximately \$9,003.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$13,729	\$15,290

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

District 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 9 - POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent to fund these benefits.

NOTE 10 – DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance Loan	\$160,000	2.70%

The District entered into a loan agreement to finance the purchase of a new ambulance.

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

Year ending December 31:	Bank Loan
2016	\$42,777
2017	42,777
2018	42,777
2019	42,776
Total	\$171,107

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

TEMS Joint Ambulance District
Jefferson County
P.O. Box 307
Toronto, Ohio 43964-0307

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the TEMS Joint Ambulance District, Jefferson County, (the "District") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated August 24, 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.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 a 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. We consider findings 2016-003 and 2016-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-005 through 2016-007 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this 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

August 24, 2017

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

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

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

FINDING NUMBER 2016-001

Noncompliance – Disbursements Plus Encumbrances Exceeded Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2016 and 2015, disbursements plus encumbrances exceeded appropriations in the General Fund by \$39,903 (6%) and \$268,394 (28%), respectively. The District Fiscal Officer did not post appropriations within the Accounting System which led to the Board of Trustees not having adequate and updated information to base budgetary decisions upon. This could also result in a negative fund balance.

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

FINDING NUMBER 2016-002

Noncompliance – Issuance of Debt

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.15 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision question of issuing any general obligation bonds, for one purpose, that the subdivision has the power or authority to issue.

On January 30, 2015, the District signed a loan agreement with US Bank in the amount of \$160,000 for the purchase of a new ambulance. Due to the fact this debt is a loan between a banking institution and the District, the note does not meet the requirements set forth in Ohio Revised Code Chapter 133. This is the result of the District not having a policy in place to ensure debt is issued under Ohio Revised Code Chapter 133. Failure to issue debt in accordance with the requirements above could result in adjustments to the financial statements should proceeds and subsequent payments be recorded in the improper fund.

The District should issue debt in accordance with Ohio Revised Code Chapter 133.

FINDING NUMBER 2016-003

Material Weakness – Posting of Authorized Budgetary Measures

Sound accounting practices require accurately posting approved estimated resources and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting ledgers in 2016 and 2015. The following variances were identified:

2016:

Fund	Certificate of Estimated Resources	Resources Posted in the Ledgers	Variance
General	\$664,034	\$0	\$664,034

Fund	Appropriations Approved by the Board	Appropriations Posted to Accounting System	Variance
General	\$695,300	\$0	\$695,300

2015:

Fund	Certificate of Estimated Resources	Resources Posted in the Ledgers	Variance
General	\$618,835	\$0	\$618,835

Fund	Appropriations Approved by the Board	Appropriations Posted to Accounting System	Variance
General	\$695,300	\$0	\$695,300

When authorized budgetary measures are not accurately posted to the ledgers, the budget versus actual information generated by the District’s accounting system is not an accurate reflection of the intentions of the Board of Trustees.

The Fiscal Officer and Board of Trustees should take steps to help ensure that all budgetary amendments are posted in an accurate and timely manner.

FINDING NUMBER 2016-004

Material Weakness – Posting of Receipts and Expenses

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not correctly post receipts and disbursements. This was attributed to the Fiscal Officer not abiding by the adopted chart of accounts or the Auditor of State Joint Ambulance District financial statement shell and the lack of procedures to help ensure accurate postings. The District Fiscal Officer has agreed to the following adjustments, which are reflected in the accompanying financial statements:

General Fund 2016:

Fund	Account Type	Amount	Description
General	Principal Retirement and Interest and Fiscal Charges	\$38,445 and \$4,332	To adjust the financial statements to report debt payments made during the year.
	Property and Other Local Taxes and Intergovernmental Revenue and Other Expenses	31,318, 24,952 and 6,366	To adjust the financial statements for property tax revenue being posted at net instead of gross and due to the incorrect property tax revenue figure being reported on the uploaded financial statements.
	Salaries, Fringe Benefits, Materials and Supplies, Equipment, Other Expenses and Capital Outlay	110,271, 176,520, 41,704, 5,023, 76,634, and 9,442	To adjust the financial statements to report actual disbursements.
	Intergovernmental and Miscellaneous Revenue	3,475	To adjust the financial statements for a grant repayment posted as miscellaneous revenue instead of intergovernmental revenue.

**FINDING NUMBER 2016-004
 (Continued)**

General Fund 2016 (Continued)

Fund	Account Type	Amount	Description
General	Fund Balance, Beginning of Year	311,378	To adjust the financial statements to properly report beginning fund balance.
	Restricted, Assigned and Unassigned Fund Balance	61,626, 8,076, and 234,777	To adjust the financial statements to properly implement GASB Statement 54.

General Fund 2015:

Fund	Account Type	Amount	Description
General	Principal Retirement and Interest and Fiscal Charges	\$94,313 and \$1,942	To adjust the financial statements to report debt payments made during the year.
	Property and Other Local Taxes and Intergovernmental Revenue and Other Expenses	14,156, 7,928 and 6,228	To adjust the financial statements for property tax revenue being posted at net instead of gross and due to the incorrect property tax revenue figure being reported on the uploaded financial statements.
	Proceeds of Debt	160,000	To adjust the financial statements to include proceeds of a loan entered into during the year.

**FINDING NUMBER 2016-004
 (Continued)**

General Fund 2015 (Continued):

Fund	Account Type	Amount	Description
General	Salaries, Fringe Benefits, Materials and Supplies, Equipment, Other Expenses and Capital Outlay	97,287, 164,294, 50,219, 15,944, 79,745, and 194,851	To adjust the financial statements to report actual disbursements.
	Charges for Services and Miscellaneous Revenue	9,520	To adjust the financial statements for revenue posted as charges for services which should have been posted to miscellaneous revenue.
	Intergovernmental and Miscellaneous Revenue	36,947	To adjust the financial statements for a grant repayment posted as miscellaneous revenue instead of intergovernmental revenue.
	Fund Balance, Beginning of Year	364,385	To adjust the financial statements to properly report beginning fund balance.
	Restricted, Assigned and Unassigned Fund Balance	56,399, 79,266 and 175,713	To adjust the financial statements to properly implement GASB Statement 54.

**FINDING NUMBER 2016-004
(Continued)**

In addition to the adjustments listed above, we also identified an additional misstatement of \$218 that was not adjusted but was brought to the District's attention. Failure to consistently properly post all transactions increases the possibility the District will not be able to identify, assemble, analyze, classify record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure that financial activity of the District is accurately recorded and reported.

FINDING NUMBER 2016-005

Significant Deficiency – Cash Reconciliation

The reconciliation of the accounting records of the District to the cash balance is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the District's book (fund) balance to the total bank balance on a monthly basis.

An examination of the District's cash reconciliation as of December 31, 2016 identified the following concerns:

- The District implemented a new accounting system during the audit period and beginning balances for the General and Ambulance bank accounts were not entered into the system properly. The variance in the General and Ambulance accounts along with the Certificate of Deposit were \$5,600, \$1, and \$212, respectively. The variance remained constant in the Ambulance account and Certificate of Deposit throughout the audit period, however, the variance in the General account fluctuated throughout the audit period. This was due to the District not properly posting all activity each month. The net effect of these errors resulted in the District's depository balances exceeding their cash fund balances by \$5,668 at year end; and
- The District properly completes bank reconciliation as evidence by review of the Bank Reconciliation Report monthly for each bank account; however, the Report reconciles only the bank statement rather than reconciling each statement balance to the accounting system.

The District posted a cash adjustment to the General Ledger in the amount of \$5,668 on June 27, 2017 with an effective date of January 1, 2017.

The District should adopt procedures regarding the cash reconciliation process. The Fiscal Officer should reconcile all bank accounts to the ledgers on a monthly basis. Monthly reports detailing the reconciling of the book to bank balances should be presented to the Board for review and approval.

FINDING NUMBER 2016-006

Significant Deficiency – Required Accounting Records

A review of the District's accounting system and records identified the following:

- The District did not maintain a detailed receipt ledger or an appropriation ledger. Rather, they maintain a general ledger which lists receipts and expenses, however, the General Ledger only classifies daily deposit amounts as a lump sum rather than being broken out and assigned a pre-numbered receipt;
- The accounting system did not allow for budgetary amounts to be posted. As a result, the District had no information regarding budgeted receipts and disbursements;
- The District did not adequately maintain employee leave balances within the accounting system; and
- Although the District has a list of capital assets included in the annual insurance policy, assets are not tagged and a schedule is not maintained of when the asset was acquired or disposed of and what the value of the asset was when purchased. The District does not have a formal capital assets policy or a capitalization threshold.

These conditions are the result of the District not having a policy in place to ensure required accounting records are maintained. Failure to maintain the required accounting records could result in mispostings and adjustments to the financial statements. In addition, the risk of errors increases for paying employees for incorrect leave balances upon separation from the District. Failure to establish a capital asset policy and maintain an updated listing of assets with all of the required information could result in lost insurance monies.

Ohio Admin. Code § 117-2-02(D) requires that all public offices maintain accounting records in a manual or computerized format and include the following:

- Receipt ledger, which classifies receipts into separate accounts for each type of receipt. The amount, date, name of payer, purpose, receipt number, and estimated amounts should be recorded;
- Appropriation ledger, which may classify disbursements into separate accounts, at a minimum, each account listed in the appropriation resolution. The amount, date, check number, purchase order number, encumbrance amount, unencumbered balance, and amount of each disbursement should be entered into the appropriate columns;
- Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number; and
- Payroll records including information regarding employee leave balances and usage.

Additionally, **Ohio Admin. Code § 117-2-02(C)** requires that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

To help ensure adequate records are maintained and reflect all financial transactions, the District should maintain the required accounting records.

FINDING NUMBER 2016-007

Significant Deficiency – Budgetary Internal Controls

Sound internal controls over the budgetary cycle include, but are not limited to, the following:

- Whether budget and actual statements are available for each fund and receipts and disbursements information is detailed enough to be useful;
- Whether receipts classifications separately summarize significant sources and disbursements should be at the legal level of control at a minimum;
- Availability of budget versus actual information and how frequently the reviews are performed; and,
- The evidential matter available to support that management or those charged with governance conscientiously pursue and follow up on unexpected fluctuations they identify.

A review of the budgetary cycle identified the following weaknesses:

- The accounting system does not allow for budgeted information to be posted to the accounting system, therefore, budget versus actual statements are unable to be produced; and
- The Board approved a budget annually, however, no evidence was provided showing the Board, Chief or Fiscal Officer reviewed budget information throughout the year. In addition, no budgetary amendments were approved by the Board during 2016 or 2015 which indicates budget versus actual information was not being reviewed timely.

The situations noted above led to the District spending more than Board approved appropriations during 2016 and 2015. This is due to the District's accounting system not having the capability of allowing budgeted information to be posted and producing budget versus actual reports. The District did not have any policies in place regarding the monitoring of budgetary activity.

Failure to compare budgeted to actual information on a monthly basis, at a minimum, could result in the District spending more than what is appropriated and negative fund balances.

District officials should compare the appropriations and certificate of estimated resources to actual receipts and disbursements on a monthly basis, at a minimum, and approve any modifications necessary.

Officials' Response: No responses received from officials.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Revised Code Section 5705.41(B) - Expenditures exceeded appropriations in the General Fund	Significantly Different from Prior Year Corrective Action Taken.	A new accounting system was purchased and installed. Many issues were resolved but some are still causing problems.
2014-002	Ohio Administrative Code Section 117-2-02 – The District's system does not provide the requirement reports or allow budgetary information to be posted	Significantly Different from Prior Year Corrective Action Taken.	A new accounting system was purchased and installed. Many issues were resolved but some are still causing problems.
2014-003	District posted certain revenues to the incorrect line items	Significantly Different from Prior Year Corrective Action Taken.	A new accounting system was purchased and installed. Many issues were resolved but some are still causing problems.

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TEMS JOINT AMBULANCE DISTRICT

JEFFERSON 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 28, 2017**