

Scioto Ambulance District
Regular Audit
For the Years Ended December 31, 2017 and 2016



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Dave Yost • Auditor of State

Board of Trustees
Scioto Ambulance District
57 Baker Street
McDermott, Ohio 45652

We have reviewed the *Independent Auditor's Report* of the Scioto Ambulance District, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto Ambulance District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 31, 2018

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Scioto Ambulance District
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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Scioto Ambulance District
57 Baker Street
McDermott, Ohio 45652

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 Scioto Ambulance District, Scioto County, (the District) as of and for the years ended December 31, 2017 and 2016.

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 such 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, 2017 and 2016, 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, receipts and disbursements, and related notes of the Scioto Ambulance District, Scioto County, as of December 31, 2017 and 2016, and 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the District has a federal tax liability greater than its cash balance as of December 31, 2017 and 2016. Note 9 describes management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Scioto Ambulance District
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, 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 the effectiveness of the District's 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 18, 2018

Scioto Ambulance District
*Statement of Cash Receipts, Cash Disbursements and
 Changes in Fund Cash Balance*
Governmental Fund Type
For the Year Ended December 31, 2017

	<u>General Fund</u>
Cash Receipts:	
Property and Other Local Taxes	\$159,794
Charges for Services	130,434
Intergovernmental	25,435
Earnings on Investments	229
	<u>315,892</u>
Total Cash Receipts	315,892
Cash Disbursements:	
Current Disbursements:	
Public Safety	320,426
	<u>320,426</u>
Total Cash Disbursements	320,426
Excess of Cash Receipts Under Cash Disbursements	(4,534)
Other Financing Receipts:	
Other Financing Receipts	7,755
	<u>7,755</u>
Total Other Financing Receipts	7,755
Net Change in Fund Cash Balance	3,221
Fund Cash Balance, January 1	27,339
	<u>27,339</u>
Fund Cash Balance, December 31:	
Assigned to Future Purchases	1,662
Unassigned	28,898
	<u>28,898</u>
Fund Cash Balance, December 31	<u>\$30,560</u>

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

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Scioto Ambulance District, Scioto County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. The District is made up of four participating entities: Morgan Township, Otway Village, Rush Township, and Brush Creek Township. Each township within the District appoints one member to the Board. The District provides rescue services within 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 fund of the District is 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. The District reports only the General Fund.

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

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. 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.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 the 2017 budgetary activity appears in Note 3.

Deposits

The District has one checking account with a local financial institution.

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.

Fund Balances

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 resources in governmental funds. 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.

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 the 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.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$410,000	\$323,647	(\$86,353)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$355,335	\$322,088	\$33,247

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand Deposits	\$30,560
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Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

Note 5 – Property Tax

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

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2017

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The District's employees belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the 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, 2017.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members was 1% during 2017.

Note 8 – Contingent Liabilities

The District is currently party to litigation. Although management cannot presently determine the outcome of this litigation, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

Note 9 – Financial Condition

The District had outstanding balances for payroll tax withholdings and employer payroll taxes in the amount of \$90,276 at December 31, 2017, which includes \$61,750 from years prior to 2017. Although the District experienced an increased fund balance during 2017, these outstanding tax balances are greater than the District's fund cash balance. The District is monitoring operations and expenditures to address this condition.

Note 10 – Compliance

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D). The District had outstanding balances in payroll taxes, which is contrary Internal Revenue Code (IRC) Chapter 26 Sections 3401, 3402, 3403, 3404, 3405, and 3102(a).

Scioto Ambulance District
*Statement of Cash Receipts, Cash Disbursements and
 Changes in Fund Cash Balance*
Governmental Fund Type
For the Year Ended December 31, 2016

	<u>General Fund</u>
Cash Receipts:	
Property and Other Local Taxes	\$161,523
Charges for Services	155,994
Intergovernmental	25,273
Earnings on Investments	193
Total Cash Receipts	342,983
Cash Disbursements:	
Current Disbursements:	
Public Safety	318,069
Total Cash Disbursements	318,069
Excess of Cash Receipts Over Cash Disbursements	24,914
Other Financing Receipts:	
Other Financing Receipts	2,958
Total Other Financing Receipts	2,958
Net Change in Fund Cash Balance	27,872
Fund Cash Balance (Deficit), January 1	(533)
Fund Cash Balance, December 31:	
Unassigned	27,339
Fund Cash Balance, December 31	\$27,339

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

Scioto Ambulance District
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 the Scioto Ambulance District, Scioto County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. The District is made up of four participating entities: Morgan Township, Otway Village, Rush Township, and Brush Creek Township. Each township within the District appoints one member to the Board. The District provides rescue services within 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 fund of the District is 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. The District reports only the General Fund.

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

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.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 the 2016 budgetary activity appears in Note 3.

Deposits

The District has one checking account with a local financial institution.

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.

Fund Balances

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 resources in governmental funds. 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.

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 the 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.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$409,000	\$345,941	(\$63,059)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$355,626	\$318,069	\$37,557

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand Deposits	\$27,339
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Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

Note 5 – Property Tax

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

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Scioto Ambulance District
Notes to the Financial Statements
For the Year Ended December 31, 2016

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The District's employees belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the 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.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members was 2% during 2016.

Note 8 – Contingent Liabilities

The District is currently party to litigation. Although management cannot presently determine the outcome of this litigation, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

Note 9 – Financial Condition

The District had outstanding balances for payroll tax withholdings and employer payroll taxes in the amount of \$61,750 at December 31, 2016, which includes \$32,671 from years prior to 2016. Although the District experienced an increased fund balance during 2016, these outstanding tax balances are greater than the District's fund cash balance. The District is monitoring operations and expenditures to address this condition.

Note 10 – Compliance

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D). The District had outstanding balances in payroll taxes, which is contrary Internal Revenue Code (IRC) Chapter 26 Sections 3401, 3402, 3403, 3404, 3405, and 3102(a).



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Scioto Ambulance District
57 Baker Street
McDermott, Ohio 45652

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Scioto Ambulance District, Scioto County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018, 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 noted that the District has a significant federal tax liability outstanding at December 31, 2017 and 2016. Note 9 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 through 2017-003, that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-004 and 2017-005.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 18, 2018

Scioto Ambulance District
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2017-001

Material Weakness – Financial Reporting

Sound financial reporting is essential to ensure that information provided to the readers of the financial statements is complete and accurate. Accuracy and completeness of financial information is also imperative to ensure that decisions being made are based on adequate data.

Several misclassifications were identified within the District’s records including misclassification of disbursements as general government and other financing uses instead of public safety for both 2016 and 2017. Fund balances were also misclassified for each year. Receipts were improperly classified as license permits and fees requiring reclassification to charges for services and intergovernmental revenue for both 2016 and 2017. These items required adjustment to the financial statements.

Lack or failure of controls over the recording of financial transactions and preparation of financial reports can result in errors or irregularities that may go undetected by management and decreases the reliability of financial information throughout the year.

The District should implement procedures to ensure that financial information is accurately and completely recorded and that financial reports are properly prepared.

District’s Response:

Scioto Ambulance District is aware and will correct.

Finding Number 2017-002

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the District’s accounting system is pertinent to ensure that the District has accurate and complete information for decision-making processes. We noted variances in 2016 between approved estimated resources and the budgeted information within the accounting system. We also noted a variance in 2016 beginning balances on the certificate of estimated resources compared to the amounts in UAN. Failure to properly maintain budget information within the accounting system could result in adverse implications as decisions by management and the Board may be based on this misinformation. The District should implement the appropriate procedures, such as periodic comparison of authorized budgetary documents to the accounting system, to ensure budgetary information within the accounting system is accurate, complete, and current.

District’s Response:

This will be requested and the District will work with the County Auditor.

Finding Number 2017-003

Material Weakness – Payroll Controls

Sound payroll controls are the responsibility of the fiscal officer and the District Board and are essential to ensure the accuracy of payments made to employees and to Federal, State and Local agencies as well as to ensure accurate and timely reporting to Federal, State and Local agencies.

District policies and procedures direct employees to sign their electronically stamped timecard, transfer the hours from a timecard to a time summary, and then sign the time summary for accuracy. However, payroll testing revealed the following conditions:

Scioto Ambulance District
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-003 (Continued)

- Some timecards had no signatures and some timecards had no summaries attached. Certain time summaries were not signed. Several timecards were also identified where the time could not be read on certain timecards due to double electronic punches. Handwritten timecards were also noted.
- Employees signed off on their own timecard or timesheet and in some instances no supervisory review or approval is documented via signatures or initials.
- There were several instances identified where District employees were required to work hours that are not regularly scheduled. The District had no formal process for reporting and approving these hours, and employees self-reported these hours on their timecard summary. This could result in the abuse and inability to verify overtime hours.
- The Scioto Ambulance District Handbook and Disciplinary Grid addresses items such as holidays, payment for overtime, vacation, and wages and was to apply uniformly to all employees of the Scioto Ambulance District. We could not determine if certain sections of the handbook and disciplinary grid were being followed and consistently applied by District management.

These conditions could result in inaccurate employee compensation. The accumulative impact of the issues above have the potential to materially misstate the financial statements.

We make the following recommendations:

- We recommend a formal process be developed for the use of the time clock and timecards which should include requiring the signature of the employee evidencing the work performed and the signature of a supervisory official to evidence review and approval of the time worked prior the payment for work performed being made.
- We recommend support be maintained and kept on file for all amounts paid relating to payroll disbursements.
- We recommend a formal review process be put in place to monitor payroll expenditures.
- We recommend a lag time or delay in payment be implemented to ensure all hours in which payment is being paid have been worked and approved by a supervisory official at the time a paycheck is written and issued.
- We recommend that payroll checks not be issued which are not supported by accurately prepared and completed timecards which are submitted by the employee and approved by a supervisory official.
- We recommend the District adopt a formal policy clearly identifying what does and does not constitute overtime. We further recommend that formal policies and procedures be implemented for the reporting, review and approval of overtime related items such as meetings or back up runs. These policies and procedures should include maintaining formal documentation to evidence occurrence, attendance, review, and approval.
- We recommend due care be used when entering standing pay rates into the accounting system and we further recommend a control procedure be put in place to ensure pay rates are being reviewed for accuracy.
- We recommend policies and procedures be implemented for the use of the time card system which include procedures on how to address the following: missing punches on timecards, hand written times on timecards, and double punched and unreadable punches on timecards.

Scioto Ambulance District
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-003 (Continued)

- We recommend the Handbook and Disciplinary Grid be reviewed and revised to clearly identify the processes, terms, and conditions followed by the District.
- We recommend the Board adopt policies and procedures, including timely reviews of the UAN payroll accounting system, payroll reports, and payroll checks to identify and correct errors or omissions.

District's Response:

Scioto Ambulance District will work to correct these issues.

Finding Number 2017-004

Noncompliance – Proper Encumbrance of Funds

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Scioto Ambulance District
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-004 (Continued)

3. Super Blanket Certificate - The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

We noted instances for 2016 and 2017 where purchase orders prepared to encumber funds were not prepared timely.

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

Unless the District uses the exceptions noted above, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation. When prior certification is not possible, "then and now" certification should be used.

We recommend the District officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs the commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

District's Response:

Scioto Ambulance District is aware and will correct.

Finding Number 2017-005

Noncompliance – Payroll Taxes

Internal Revenue Code (IRC) Chapter 26 Sections 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. During payroll testing, we noted that the District did not pay payroll tax withholdings or employer payroll taxes in 2016, or 2017. We identified an outstanding balance at December 31, 2016 of \$24,450 relating to federal income tax, Social Security tax and Medicare withholdings and employer payroll taxes not remitted to the federal government for that calendar year. We also identified an outstanding balance at December 31, 2017 of \$24,087 relating to federal income tax withholdings not remitted to the federal government for the calendar year. Due to nonpayment of the amounts above along with the outstanding balance at the end of 2015 of \$26,637, the District has a total Federal tax liability outstanding balance of \$75,174 as of December 31, 2017. Further it was noted the District did not file a Form 941 for the third or fourth quarters of 2017.

We also identified an outstanding balance at December 31, 2016 of \$4,629 and a balance of \$4,439 at December 31, 2017 relating to state income tax withholdings for the respective years. Due to nonpayment of the amounts noted above along with the outstanding balance of \$6,034 as of December 31, 2015, the District has a total outstanding balance of \$15,102 in state taxes at December 31, 2017.

This could result in significant charges for fines, penalties and interest being incurred by the District. The Board should adopt policies and procedures to ensure that withholding payments and withholding reports are remitted timely, and support should be maintained on file to evidence performance. We further recommend the Fiscal Officer and District contact the Internal Revenue Service (IRS) and the State department of taxation to resolve the outstanding balances owed.

Scioto Ambulance District
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-005 (Continued)

District's Response:

Scioto Ambulance District plans to correct with monthly payments.

Scioto Ambulance District
Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2015-001	Material Weakness – Financial Reporting	No	Reissued as finding 2017-001
Finding 2015-002	Material Weakness – Bank Reconciliation	No	Reissued in Management Letter
Finding 2015-003	Material Weakness – Budgetary Information within UAN	No	Reissued as finding 2017-002
Finding 2015-004	Material Weakness – Payroll Controls	No	Reissued as finding 2017-003
Finding 2015-005	Noncompliance– Appropriations in Excess of Estimated Resources	Yes	
Finding 2015-006	Noncompliance – Disbursements in Excess of Appropriations	No	Reissued in Management Letter
Finding 2015-007	Noncompliance – Proper Encumbrance of Funds	No	Reissued as finding 2017-004
Finding 2015-008	Noncompliance – Payroll Taxes	No	Reissued as finding 2017-005
Finding 2015-009	Noncompliance – Adoption of Appropriation	No	Reissued in Management Letter

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Dave Yost • Auditor of State

SCIOTO AMBULANCE DISTRICT

SCIOTO 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
JANUARY 10, 2019**