



**Auditor of State
Betty Montgomery**

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lynchburg Area Joint Fire and Ambulance District
Highland County
151 Main Street
Lynchburg, Ohio 45142

To the Board Members:

We have audited the accompanying financial statements of Lynchburg Area Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 18, 2005

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Cash Receipts:		
Local Taxes	\$ 163,384	\$ 152,885
Intergovernmental	16,561	20,606
Charges for Services	31,563	24,058
Earnings on Investments	277	1,262
Other Revenue	<u>151</u>	<u>181</u>
 Total Cash Receipts	 <u>211,936</u>	 <u>198,992</u>
Cash Disbursements:		
Current:		
Public Safety	108,731	82,445
Note Principal Payment	15,000	15,000
Note Interest	2,368	3,147
Capital Outlay	<u>65,902</u>	<u>2,670</u>
 Total Cash Disbursements	 <u>192,001</u>	 <u>103,262</u>
 Total Receipts Over Disbursements	 <u>19,935</u>	 <u>95,730</u>
 Fund Cash Balances, January 1	 <u>265,009</u>	 <u>169,279</u>
 Fund Cash Balances, December 31	 <u>\$ 284,944</u>	 <u>\$ 265,009</u>

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

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**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lynchburg Area Joint Fire and Ambulance District, Highland County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio, Ohio Revised Code, Sections 505.371 and 505.71. The District provides fire fighting protection, emergency medical service and related services for the Townships of Union, Salem, and Dodson in Highland County and the Village of Lynchburg in Highland County. The five member governing Board of the District is composed of one representative from each township and the village with one member appointed at large by the majority of the other members. The Board is responsible for employing a clerk who is responsible for fiscal controls over the resources and assets of the District.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The District invests all available funds in a NOW checking account and a mutual fund with a local commercial bank. The investment is valued at cost. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District has no funds that are required to be restricted as to use; therefore, the district only maintains a General Fund. The General Fund is the general operating fund used to account for all financial resources.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$134,944	\$265,009
Eaton Vance Mutual fund	150,000	0
Total deposits and investments	<u>\$284,944</u>	<u>\$265,009</u>

Deposits: Deposits up to \$100,000 are insured by the Federal Depository Insurance Corporation. The depository provides pooled securities for deposits over and above F.D.I.C. coverage.

Investments: Investments in the mutual funds are in the Fifth Third Bank Eaton Vance Low Duration Fund. Fifth Third Securities is not a bank and securities offered by it are not insured by the FDIC or any other governmental agency, are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank, and are subject to investment risks, including the possible loss of principal. The District has not booked any income or loss from the investment. At December 31, 2003 the fair market value of the investment was \$148,490.

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

<u>2002</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
	<u>\$241,580</u>	<u>\$211,936</u>	<u>(\$29,644)</u>

<u>2002</u>	<u>Appropriator Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
	<u>\$0</u>	<u>\$192,001</u>	<u>(\$192,001)</u>

<u>2003</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
	<u>\$226,080</u>	<u>\$198,992</u>	<u>(\$27,088)</u>

<u>2003</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
	<u>\$153,910</u>	<u>\$103,262</u>	<u>\$50,648</u>

The District did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered, as required by Ohio Law.

The District did not adopt and file an appropriation resolution for 2003, so all budgetary expenditures exceeded appropriations, contrary to Ohio law.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

5. RETIREMENT SYSTEMS

The District's clerk belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has not paid all contributions required through December 31, 2003. At December 31, 2003, \$187 withholdings had been withheld but not remitted to OPERS.

6. DEBT

The Village of Lynchburg issued a general obligation bond to finance the purchase of new fire truck on December 11, 1995 in the amount of \$150,000. This debt and the Village Fire Department assets were assumed by the District at the time of its formation. The general obligation bonds are collateralized by the taxing authority of the Village.

Debt outstanding at December 31, 2003 is as follows:

	Principal	Interest Rate
General Obligation Bond	<u>\$30,000</u>	5.52%

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

<u>Year ending December 31:</u>	General Obligation Notes
2004	\$16,473
2005	<u>15,629</u>
Total	<u>\$32,102</u>

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

7. RISK POOL MEMBERSHIP

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2003	2002
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$3,531,044</u>	<u>\$3,142,799</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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**Auditor of State
Betty Montgomery**

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

Lynchburg Area Joint Fire and Ambulance District
Highland County
151 Main Street
Lynchburg, Ohio 45142

To the Board Members:

We have audited the accompanying financial statements of Lynchburg Area Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001, 2003-002, and 2003-004 through 2003-011.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2003-001, 2003-002 and 2003-004 through 2003-009 to be material weaknesses. In a separate letter to the District's management dated April 18, 2005, we reported other matters involving internal control over financial reporting.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-006

We intend this report solely for the information and use of management and the Board Members. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 18, 2005

**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation/Material Weakness/Accounting Records

Ohio Admin. Code, Section 117-2-02, requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. Such records should include a cash journal, receipts ledger, appropriation ledger, payroll journals, quarterly payroll records, and vouchers.

The District could not provide any of these records when initially called in for audit. After formal notification of the lack of adequate records necessary for an audit, the current clerk subsequently prepared a cash journal for 2002 and 2003 which was provided for audit. The District did not provide a receipts ledger, appropriation ledger, payroll journals, quarterly payroll records, or vouchers for audit. The accompanying financial statements include audit reclassifications which are reflected in the accompanying financial statements. Village management has approved appropriate reclassifications to present line item classifications.

FINDING NUMBER 2003-002

Noncompliance Citation/Material Weakness/Financial Reporting

Ohio Rev. Code, Section 117.38, requires that all cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. Additionally, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

During the years under audit, the fiscal officer did not prepare nor file an annual report with the Board of Trustees nor with the Auditor of State.

A complete and detailed financial report should be prepared and presented to the Board of Trustees for their review and approval at each regular monthly meeting. Without a detailed disclosure of all receipts and expenditures of the District throughout the year, management is at risk of making uninformed decisions which could impact the budgeted financial position of the District. Additionally, the fiscal officer as required should file with the Auditor of State a complete financial report which has been approved by the Board of Trustees, and should advertise the availability of the report for public inspection.

FINDING NUMBER 2003-003

Noncompliance Citation/Board Minutes

Ohio Rev. Code, Sections 121.22 and 149.43, when read together, impose duty on the board to maintain full and accurate record of their proceedings. No minutes were presented for audit for the meetings held in January, February, or March 2002, or for the special meetings held on September 26, 2002 or July 29, 2003.

Ohio Rev. Code, Section 121.22, requires that any executive session may be held only after a majority of a quorum of the public body determines, by a roll call vote, to hold an executive session. The minutes must reflect the general subject matter for the executive session. Executive sessions were held without the roll call vote and the general subject matter was not always stated.

Ohio Rev. Code, Section 121.22, provides that a public body shall not hold a special meeting unless it gives at least twenty-four hours' advance notice to the news media that have requested notification, except in the event of an emergency. Special meetings were held, and regular meeting were rescheduled during the audit period. No evidence that the required twenty-four hours' advance notice publicized.

FINDING NUMBER 2003-004

Noncompliance Citation/Material Weakness/Illegal Investment

Ohio Rev. Code, section 135.14(B), prescribes the eligible investments in which a subdivision is permitted to invest interim monies. The Board, by resolution, approved to invest \$150,000 in a 1 year certificate of deposit, as described in a letter from Fifth Third Bank, dated February 22, 2003 and in the minute records of April 9, 2003. However, instead of investing in the certificate of deposit as approved in the minutes, the District invested \$150,000 in the Eaton Vance Low Duration Mutual Fund which was sold to the District through Fifth Third Securities, Inc.. This fund was primarily invested in three market sectors: mortgage-backed securities (including fixed and floating-rate collateralized mortgage obligations, asset backed commercial paper, and other short term investments. Pursuant to Ohio Revised Code, 135.14 (C) and Attorney General Opinion 99-026, a subdivision may not invest in such securities.

Ohio Rev. Code, Section 135.14, provided that no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the auditor of state a written investment policy approved by the governing board. This section also provides that no investment shall be made unless the treasurer or governing board has completed additional training for making the investments. No evidence was presented for audit that the Eaton Vance Low Duration Mutual Fund is an allowable investment, that an investment policy was adopted and filed with the auditor of state, or that the treasurer or governing board completed the investment training required.

As of December 31, 2003 the value of this investment had decreased to \$148,490. Therefore, the District not only sustained a loss of \$1,510 on the investment for the year, but also lost the interest they could have earned in a NOW account. The Board should carefully manage the public funds under their care to maximize the use of taxpayer's monies.

FINDING NUMBER 2003-005

Noncompliance Citation/Material Weakness/Budgetary Compliance

Ohio Rev. Code, 5705.28, requires each taxing authority to adopt a tax budget for the next succeeding fiscal year on or before the fifteenth day of July. The minutes did not include adoption of an annual tax budget during 2002 or 2003. A tax budget was filed with the county auditor during 2002 (for the year 2003), but none was filed with the county auditor during 2003 (for the year 2004).

Ohio Rev. Code, Section 5705.34, provides that each taxing authority shall authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year. The minute records did not reflect that this resolution was made by the Board during 2002 or 2003. A resolution form was filed with the county auditor in 2002, but none was filed with the county auditor in 2003.

Ohio Rev. Code, 5705.38, requires that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. We could not determine if the Board made an annual appropriation resolution on or about the first day of 2002 because minute records for January 2002 were not presented for audit. An appropriation resolution form was filed with the county auditor for 2002. The minute records for 2003 did not include any resolution adopting appropriations for 2003 and an appropriation form was not filed with the county auditor.

Ohio Rev. Code, Section 5705.41 (B), provides that no subdivision shall expend money unless it has been appropriated. Disbursements exceeded appropriations for 2003 because no appropriations were made.

By having weak oversight over the above non-compliance items, the District significantly increases the risk of negative fund balances, expending more than is available, and the over appropriation of funds. Management of the District should take due care to monitor the District's budgetary receipt and expenditure positions by having the Clerk provide Comparison of Budget and Actual Receipts Report and Appropriation Status reports at least quarterly to be reviewed and approved by the Board. By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the District.

FINDING NUMBER 2003-006

Noncompliance Citation/Material Weakness/Certification of Funds

Ohio Rev. Code, 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
2. Amounts of less than \$1,000 (\$3,000 effective 4/7/03) may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The District did not obtain the fiscal officer's certificate for any expenditure during 2002 or 2003.

The Clerk's certification is not only required by Ohio law, but is also a key control in the disbursements process. Failure to obtain proper certification of funds resulted in disbursements being made without adequate current resources being available. Prior certification should be obtained for all disbursements. In instances when prior certification are not practical, "then and now certification should be made.

FINDING NUMBER 2003-007

Reportable Condition/Disbursement Approval

When the records were originally presented for audit, bills were unorganized. Paid bills were not attached to vouchers. The current clerk tried to put the bills in order by month and write the date paid and check number on them. During testing, we found some expenditures that were not documented by itemized vendor bills. A few of the cancelled checks were not presented for audit. We were able to verify these expenditures through additional auditing procedures. Failure to attach the original itemized bill to a voucher increases the risk that improper expenditures could be made or documentation could be lost.

The Board gave the clerk permission to pay monthly bills without prior Board approval in the minutes of December 11, 2002. Bills were not listed in the minute records and there was no evidence presented for audit that the Board reviewed the paid bills. Due to the District's limited staffing, the Clerk must perform all accounting functions. It is therefore important that the Board be involved in approving disbursements. This weakness could allow improper expenditures, if any should occur, to remain undetected.

Documentation for the expenditure of public funds in the form of an original itemized bill should be attached to a voucher, reviewed, and approved by the Board prior to payment to increase the controls over the expenditure of public funds.

FINDING NUMBER 2003-008

Material Weakness/Deposit of District Receipts

Receipts were not deposited in the bank on a timely basis. In two months there were no bank deposits made, and for several months there was only one bank deposit made. Two checks for homestead and rollback totaling \$9,005 issued in May 2003 were not deposited until October 29, 2003. The bank returned the checks as stale dated. Two checks in the records presented for audit were for payment for services totaling \$127 that were issued in July 2003 and never deposited in the bank. The Clerk has requested replacement of these checks; however, replacement checks have not been obtained, resulting in the District having \$9,132 less revenue because of the poor internal control practices. The District should establish a policy that receipts must be deposited in the bank within 24 hours of receipt. Failure to deposit funds on a timely basis increases the risk that funds can be lost or misappropriated and not detected in a timely manner.

FINDING NUMBER 2003-009

Reportable Condition/Payroll Records

Individual earnings registers and quarterly payroll records were not presented for audit and we found no evidence that they were prepared. Withholdings were not consistently made from employee's pay. Withholdings were only made from the clerk's pay for the first and fourth quarter of 2002 and for the first and second quarter of 2003. Withholdings were only made from the chief and assistant chief's salaries for the first and second quarter 2002. We found no evidence that withholdings of \$187 PERS, \$53 Medicare, and \$89 Social Security were ever remitted to the proper agencies, or the employer shares paid. We found that the payment to the volunteers in the total amount of \$4,890 for the last quarter of 2002 that was made on January 4, 2003 was reported on both the 2002 and 2003 W-2's. We could find no documentation of the calculation for the \$3,200 paid to a former clerk who was in office for a four month period in 2002. Failure to maintain proper accounting records likely contributed to aforementioned problems. We recommend that individual earnings registers and quarterly payroll records be maintained.

FINDING NUMBER 2003-010

Reportable Condition/Clerk Bonding

During the audit period, there were four different clerks employed by the District. No documentation was presented for audit that the clerks were bonded, except for the period June 1, 2003 through September 30, 2003. Failure to obtain surety for the clerk increases the risk of loss of public funds if money is lost or misappropriated.

FINDING NUMBER 2003-011

Reportable Condition/Training

The District Officials have not properly followed Ohio laws as reflected in this audit and the past audit. These noncompliance problems appear to be caused by a lack of knowledge and training of officials and frequent turnover of personnel. Failure to properly follow the laws as required creates an environment which increases possible fraud or misappropriation of assets and resulted in unnecessary charges that could have been avoided. The Board members and Clerk should research opportunities for local government training and attend such training on the proper procedures to follow in recording District records and in conducting District business. It would be highly beneficial for the Clerk to attend training seminars provided by the Auditor of State's Local Government Services.

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**LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30436-001	Finding For Recovery for overpayments	Yes	
2001-30436-002	Ohio Revised Code, Section 5705.41(D) – Prior certification for expenditures	No	Not Corrected – Reissued as 2003-006
2001-30436-003	Ohio Revised Code, Section 11738 – annual financial reports	No	Not Corrected – Reissued as 2003-002
2001-30436-004	Ohio Admin. Code 117-2-02 – Accounting records	No	Not Corrected – Reissued as 2003-001
2001-30436-005	Ohio Revised Code, Section 135.18 – security for deposits	yes	
2001-30436-006	SAS 70 for billing agency	yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LYNCHBURG AREA JOINT FIRE AND AMBULANCE DISTRICT

HIGHLAND 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
MAY 12, 2005**