

**LYNCHBURG AREA JOINT FIRE
AND AMBULANCE DISTRICT**

HIGHLAND COUNTY

**Regular Audit
December 31, 2005 and 2004**



Mary Taylor, CPA

Auditor of State

Board Member
Lynchburg Area Joint Fire and Ambulance District
P. O. Box 585
Lynchburg, Ohio 45142

We have reviewed the *Independent Accountants' Report* of the Lynchburg Area Joint Fire and Ambulance District, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Lynchburg Area Joint Fire and Ambulance District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 23, 2007

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

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INDEPENDENT ACCOUNTANTS' REPORT

September 28, 2007

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, 2005 and 2004. 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 reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

Lynchburg Area Joint Fire and Ambulance District
Highland County
Independent Accountants' Report
Page 2

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lynchburg Area Joint Fire and Ambulance District, Highland County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Receipts:		
Local Taxes	\$ 318,276	\$ 182,460
Intergovernmental	47,086	66,693
Charges for Services	50,308	21,402
Earnings on Investments	3,264	20
Other Revenue	1,659	4,735
	<hr/>	<hr/>
Total Cash Receipts	420,593	275,310
Cash Disbursements:		
Current:		
Public Safety	151,681	98,323
Note Principal Payment	20,515	15,000
Note Interest	23,561	1,473
Capital Outlay	1,293,895	91,021
	<hr/>	<hr/>
Total Cash Disbursements	1,489,652	205,817
Total Receipts Over/(Under) Disbursements	<hr/> (1,069,059)	<hr/> 69,493
Other Financing Receipts/(Disbursements):		
Proceeds from Sale of Public Debt:		
Sale of Bonds	900,000	-
	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	900,000	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(169,059)	69,493
Fund Cash Balances, January 1	<hr/> 354,437	<hr/> 284,944
Fund Cash Balances, December 31	<u>\$ 185,378</u>	<u>\$ 354,437</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Districts of Union, Salem, and Dodson in Highland County and the District of Lynchburg in Highland County. The five member governing Board of the District is composed of one representative from each District and the District 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations (Continued)

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.

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 2005 and 2004 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

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 at December 31 was as follows:

	2005	2004
Demand deposits	\$185,378	\$204,437
Eaton Vance Mutual fund	0	150,000
Total deposits and investments	\$185,378	\$354,437

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 Eaton Vance Mutual fund was sold on February 23, 2005 for \$150,072.78. The district recorded income in the amount of \$72.78.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

<u>2005</u>	Budgeted <u>Receipts</u>	Actual <u>Receipts</u>	<u>Variance</u>
	<u>\$0</u>	<u>\$1,320,593</u>	<u>\$1,320,593</u>
<u>2005</u>	Appropriation <u>Authority</u>	Budgetary <u>Expenditures</u>	<u>Variance</u>
	<u>\$0</u>	<u>\$1,489,652</u>	<u>(\$1,489,652)</u>
<u>2004</u>	Budgeted <u>Receipts</u>	Actual <u>Receipts</u>	<u>Variance</u>
	<u>\$0</u>	<u>\$275,310</u>	<u>\$275,310</u>
<u>2004</u>	Appropriation <u>Authority</u>	Budgetary <u>Expenditures</u>	<u>Variance</u>
	<u>\$0</u>	<u>\$205,817</u>	<u>(\$205,817)</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 2004 and 2005, 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, 2005 AND 2004
(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 2005 and 2004, 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, 2005. At December 31, 2005, no withholdings had been withheld or remitted to OPERS.

6. DEBT

The District 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 District 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 District. The bond was paid off in June 2005.

The District of Lynchburg issued a general obligation bond to finance part of the cost of new construction of a fire and ambulance station in 2005.

	Principal	Interest Rate
General Obligation Bond	<u>\$900,000</u>	5.23%

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

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
2006	\$ 75,010
2007	73,493
2008	71,977
2009	70,460
2010	68,943
2011-2015	321,966
2016-2020	284,049
2021-2025	246,131
2026-2030	208,214
2031-2035	187,725
Total	<u><u>\$1,607,968</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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:

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

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

September 28, 2007

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

To the Board Members:

We have audited the basic financial statements of **Lynchburg Area Joint Fire and Ambulance District, Highland County, Ohio** (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 28, 2007. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2005-001, 2005-002, and 2005-004 through 2005-014.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2005-001, 2005-002, 2005-004, 2005-005, 2005-007, and 2005-011 described above are material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2005-001 through 2005-005 and 2005-011.

This report is intended solely for the information and use of management and Board Members and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

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 2004 and 2005 that was provided for audit. The District did not provide a receipts ledger, appropriation ledger, payroll journals, or vouchers for audit. The accompanying financial statements include audit reclassifications that are reflected in the accompanying financial statements. District management has approved appropriate reclassifications to present line item classifications.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-002

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 that 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 that has been approved by the Board of Trustees, and should advertise the availability of the report for public inspection.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-003

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, March, April, May, June, August or December 2004, or for the meetings held in February, March, April, August, November, or December 2005.

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.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-004

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 2004 or 2005. A tax budget was not filed with the county auditor for 2004 or 2005.

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 2004 or 2005. A resolution form was not filed with the county auditor in 2004 or 2005.

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. The minute records for 2004 and 2005 did not include any resolution adopting appropriations for 2004 or 2005 and appropriation forms were 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 2004 and 2005 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.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-004 (Continued)

Ohio Rev. Code 5705.28 (Continued)

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.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-005

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 2004 or 2005. 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.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-006

Significant Deficiency/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. 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.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-007

Significant Deficiency/Material Weakness/Deposit of District Receipts

Receipts were not deposited in the bank on a timely basis; deposits are made monthly. 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.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-008

Significant Deficiency/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. Failure to maintain proper accounting records likely contributed to aforementioned problems. We recommend that individual earnings registers and quarterly payroll records be maintained.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-09

Significant Deficiency/Clerk Bonding

No documentation was presented for audit that the clerk was bonded. Failure to obtain surety for the clerk increases the risk of loss of public funds if money is lost or misappropriated.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-010

Significant Deficiency/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 that 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.

FINDING NUMBER 2005-011

Noncompliance Citation/Material Weakness/ Posting Receipts and Expenditures

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01. During 2004 and 2005 receipts and expenditures were not posted into the accurate revenue or expenditures classifications based on the source of the receipt or expenditure. We recommend the Fiscal Officer refer to supporting documentation, Ohio Administrative Code Section 117-7-01 and/or the District Officers' Handbook for guidance to determine the proper posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-012

Significant Deficiency/Duplicate Receipts

Prenumbered duplicate receipts were not written for monies received. The management of the District should require that a prenumbered duplicate receipt be issued each time one is received. Failure to issue and retain dated, prenumbered duplicate receipts for each receipt transaction increases the possibility of misappropriation of funds and eliminates the source documentation necessary to verify the completeness and accuracy of receipts and bank deposits.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-13

Significant Deficiency/Billing Service Reconciliations

The District should establish a formal reconciliation for charges for service transactions being billed and collected by the outside service organization. There was no evidence presented for audit that any type of reconciliation was being performed to the billings and receipts reported by the service organization. Without a formal reconciliation process, the probability of detecting unrecorded receipts or uncollected revenues is reduced. A formal reconciling procedure should be established that would check that all billable squad runs have been billed, that the billing rates are correct, and that proper collections are being made and turned over to the District.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2005-14

Significant Deficiency/Tax Receipts

Tax receipts of the District were posted at the net check received. An adjustment was required to increase the receipts and disbursements by the amount of the deductions made by the county auditor from the tax settlement. Tax receipts should be posted at gross, and all applicable deductions should be recorded as expenditures. Failure to properly record tax receipt results in inaccurate financial statements.

Management's Response – We did not receive a response from officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Admin Code 117-2-02 – Accounting records	No	Not Corrected – Reissued as 2005-001
2003-002	Ohio Revised Code, Section 117.38 – Annual financial reports	No	Not Corrected – Reissued as 2005-002
2003-003	Ohio Revised Code, Section 121.22 – Board minutes	No	Not Corrected – Reissued as 2005-003
2003-004	Ohio Revised Code, Section 135.14 – Illegal investment	Yes	
2003-005	Ohio Revised Code, Section 5705.28, 5705.34, 5705.38, 5705.41 – Budgetary compliance	No	Not Corrected – Reissued as 2005-004
2003-006	Ohio Revised Code, Section 5705.41(D) – Certification of Funds	No	Not Corrected – Reissued as 2005-005
2003-007	Disbursement Approval	No	Not Corrected – Reissued as 2005-006
2003-008	Deposit of district receipts	No	Not Corrected – Reissued as 2005-007
2003-009	Payroll records	No	Not Corrected – Reissued as 2005-008
2003-010	Clerk bonding	No	Not Corrected – Reissued as 2005-009
2003-011	Training	No	Not Corrected – Reissued as 2005-010



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007