



Mary Taylor, CPA  
Auditor of State



HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Highland County North Joint Fire and Ambulance District  
Highland County  
200 South Street  
Leesburg, Ohio 45135

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

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Auditor of State

December 17, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Highland County North Joint Fire and Ambulance District  
Highland County  
200 South Street  
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the accompanying financial statements of Highland County North Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006. 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. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, during 2007 and 2006, the District 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require fire and ambulance districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Highland County North Joint Fire and Ambulance District, Highland County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District 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 December 17, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

December 17, 2008



**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Local Taxes	\$183,864		\$87,048		\$270,912
Charges For Services	4,500	\$47,959			52,459
Intergovernmental	39,816		8,553	\$ 66,500	114,869
Revenue in Lieu of Taxes	7,292		3,332		10,624
Earnings on Investments	7,500				7,500
Miscellaneous	15,582				15,582
<b>Total Cash Receipts</b>	<u>258,554</u>	<u>47,959</u>	<u>98,933</u>	<u>66,500</u>	<u>471,946</u>
<b>Cash Disbursements:</b>					
Current:					
Public Safety	218,054				218,054
Capital Outlay				70,000	70,000
Debt Service:					
Redemption of Principal	14,973		30,000		44,973
Interest and Fiscal Charges	6,971		43,491		50,462
Other			2,697		2,697
<b>Total Cash Disbursements</b>	<u>239,998</u>	<u>0</u>	<u>76,188</u>	<u>70,000</u>	<u>386,186</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>18,556</u>	<u>47,959</u>	<u>22,745</u>	<u>(3,500)</u>	<u>85,760</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Fixed Assets	106,000				106,000
Transfers-In				3,500	3,500
Transfers-Out	(3,500)				(3,500)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>102,500</u>	<u>0</u>	<u>0</u>	<u>3,500</u>	<u>106,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<u>121,056</u>	<u>47,959</u>	<u>22,745</u>	<u>0</u>	<u>191,760</u>
<b>Fund Cash Balances, January 1</b>	<u>210,865</u>	<u>53,872</u>	<u>40,097</u>	<u>0</u>	<u>304,834</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$331,921</b></u>	<u><b>\$101,831</b></u>	<u><b>\$62,842</b></u>	<u><b>\$0</b></u>	<u><b>\$496,594</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$1,069</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$1,069</b></u>

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$183,378		\$80,742	\$264,120
Charges for Services	4,500	\$53,872		58,372
Intergovernmental	68,405		7,844	76,249
Revenue in Lieu of Taxes	10,128		4,461	14,589
Earnings on Investments	12,289		0	12,289
Miscellaneous	9,673			9,673
<b>Total Cash Receipts</b>	<u>288,373</u>	<u>53,872</u>	<u>93,047</u>	<u>435,292</u>
<b>Cash Disbursements:</b>				
Current:				
Public Safety	214,493			214,493
Capital Outlay	79,500			79,500
Debt Service:				
Redemption of Principal			925,000	925,000
Interest and Fiscal Charges			36,897	36,897
Other			2,244	2,244
<b>Total Cash Disbursements</b>	<u>293,993</u>	<u>0</u>	<u>964,141</u>	<u>1,258,134</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,620)</u>	<u>53,872</u>	<u>(871,094)</u>	<u>(822,842)</u>
<b>Other Financing Receipts:</b>				
Sale of Bonds			875,000	875,000
<b>Total Other Financing Receipts</b>	<u>0</u>	<u>0</u>	<u>875,000</u>	<u>875,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(5,620)</u>	<u>53,872</u>	<u>3,906</u>	<u>52,158</u>
<b>Fund Cash Balances, January 1</b>	<u>216,485</u>	<u>0</u>	<u>36,191</u>	<u>252,676</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$210,865</b></u>	<u><b>\$53,872</b></u>	<u><b>\$40,097</b></u>	<u><b>\$304,834</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$1,431</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$1,431</b></u>

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Highland County North Joint Fire and Ambulance District, Highland County, (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each of the political subdivisions within the District appoints one member. Those subdivisions are the Village of Leesburg, Village of Highland, and Fairfield Township. Four at large members are appointed by the majority of the three members of the District. The District provides fire protection and rescue services within the District and contract to areas outside the District.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The District deposits all available funds in an interest earning checking account, certificates of deposit, and passbook savings accounts at a local commercial bank.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund: Ambulance and Emergency Medical Services Fund - This fund receives the charges for the use of ambulance or emergency medical services for the payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services in the District.

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the District accumulates to pay bond and note debt.

**4. Capital Projects Fund**

This fund accounts for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following capital project fund: FEMA – the fund accounted for the FEMA grant obtained in 2007 used to purchase fire fighting equipment.

**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 of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. 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 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. Equity in Pooled Cash**

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

	2007	2006
Demand deposits	\$23,469	\$2,474
Certificates of deposit	317,954	66,335
Passbook savings account	155,171	236,025
Total deposits	\$496,594	\$304,834

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by a Federal Home Loan Bank letter of credit.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$343,635	\$364,554	\$20,919
Special Revenue	50,000	47,959	(2,041)
Debt Service	88,900	98,933	10,033
Capital Projects	66,500	70,000	3,500
Total	\$549,035	\$581,446	\$32,411

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$271,531	\$244,567	\$26,964
Debt Service	76,991	76,188	803
Capital Projects	70,000	70,000	0
Total	\$418,522	\$390,755	\$27,767

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,860	\$288,373	\$32,513
Special Revenue	45,000	53,872	8,872
Debt Service	1,006,000	968,047	(37,953)
Total	\$1,306,860	\$1,310,292	\$3,432

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$325,200	\$295,424	\$29,776
Debt Service	968,500	964,141	4,359
Total	\$1,293,700	\$1,259,565	\$34,135

Contrary to Ohio law, appropriations exceeded the total certified as available for appropriations in the Capital Projects fund in 2007. Also contrary to Ohio law prior certification was not obtained for all expenditures.

**4. Property Tax**

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

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

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.

**5. Debt**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Fire and Ambulance Station Bonds	\$845,000	4.25-4.75%
Fire Truck Lease Purchase Agreement	157,027	4.85%

The fire and ambulance station bonds are general obligation bonds issued in 2006 to pay the bond anticipation note originally issued in 2003 to finance the construction of a new fire and ambulance buildings.

The lease purchase agreement was entered into in 2006 for a new fire truck. Payments are due yearly for 10 years.

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Fire and Ambulance Station Bonds	Fire Truck Lease/ Purchase Agreement
2008	\$78,362	\$21,945
2009	76,663	21,945
2010	74,962	21,945
2011	73,263	21,945
2012	76,562	21,945
2013-2017	381,875	87,781
2018-2023	451,500	
Total	<u>\$1,213,187</u>	<u>\$197,506</u>

**6. Retirement Systems**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, the OPERS member contributed 9.5% and 9%, respectively, of his gross salary and the District contributed an amount equaling 13.85% and 13.7%, respectively, of the participant's gross salary. The District has paid all contributions required through December 31, 2007.

**7. Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

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

**8. Compliance**

Contrary to Ohio law, the District did not: create a separate fund for charges for emergency medical services; follow required bidding procedures for a vehicle purchase; certify the availability of funds for certain commitments; and implement management oversight over the accounting process.

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# Mary Taylor, CPA

Auditor of State

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

Highland County North Joint Fire and Ambulance District  
Highland County  
200 South Street  
Leesburg, Ohio 45135

To the Board of Trustees:

We have audited the financial statements of Highland County North Joint Fire and Ambulance District, Highland County, Ohio (the District), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated December 17, 2008, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the 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 that 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-004, and 2007-005.

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. However, we believe finding numbers 2007-004 and 2007-005 described above are material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated December 17, 2008.

#### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-01 through 2007-04.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 17, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 17, 2008

**HIGHLAND COUNTY NORTH JOINT FIRE AND AMBULANCE DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Noncompliance/Significant Deficiency**

**Ohio Revised Code, Section 505.371(C)(3)**, requires that charges for the use of ambulance or emergency medical services shall be kept in a separate fund designated as the ambulance and emergency medical services fund and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services of the district. The District did not create this fund as required because they were unaware of the requirement. The District used the General Fund to account for the receipts and expenditures for emergency medical services (EMS) during 2006 and 2007. To report the EMS receipts as Special Revenue Fund receipts, the District posted adjustments in the amount of \$47,959 in 2007, and \$53,872 in 2006 to the accompanying financial statements. Failure to create this fund and track receipts and disbursements for the EMS resulted in co-mingling of monies and would have resulted in misstated financial statements if the District had not created the fund and posted the adjustments during the audit.

**Officials' Response:**

Ambulance service reimbursement funds are and have always been segregated into their own line-item in the general fund, therefore these monies were never co-mingled at the function, or object level. When made aware of the requirements to do so, the district created a separate fund, and posted appropriate adjustments, bringing the district into compliance.

**Auditor of State Conclusion:**

While the Response above describes an adequate method of separately reporting annual EMS receipts and disbursements, this method does not separately compute a fund balance or deficit resulting from aggregate EMS activities and transactions. Using a separate fund will keep track of this aggregate balance.

**FINDING NUMBER 2007-002**

**Material Noncompliance**

**Ohio Revised Code, Section 505.376**, provides that when any expenditure of a fire and ambulance district, other than for the compensation of district employees, exceeds fifty thousand dollars, the contract for the expenditure shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the district. The District purchased a used ambulance in 2006 for \$79,500 and did not follow proper bidding procedures because the Officials did not think bidding was required for a used vehicle. Failure to follow bidding requirements could result in the District not obtaining the best price available for the purchase. The District should obtain bids to assure they are getting the best price available.

**Officials' Response:**

Since the District's actual share of the cost of the used ambulance mentioned in this finding was \$40,000 with the balance provided by the County, the District felt it was under the required limit for bidding. We now understand that the total cost should have been the measure, and will comply going forward.

**FINDING NUMBER 2007-002  
(Continued)**

**Auditor of State Conclusion:**

While we recognize that the County later reimbursed part of the cost of the ambulance, the District appropriated and expended \$79,500 for the purchase of the ambulance. ORC 505.376 requires bidding procedures to be followed for expenditures in excess of \$50,000.

**FINDING NUMBER 2007-003**

**Material Noncompliance**

**Ohio Revised Code, Section 5705.41(D)**, prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure 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 encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 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.
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.

**FINDING NUMBER 2007-003  
(Continued)**

Although the District issued a purchase order or then and now certificate for 37 of the 40 expenditures tested for 2006 and 2007, the Fiscal Officer failed to sign these certifications because she did not know she was required to sign them to make them valid. As a result of not properly using purchase orders, the General Fund had unrecorded encumbrances in the immaterial amounts of \$1,431 in 2006, and \$448 in 2007. The District made the adjustments to include the outstanding encumbrances on the financial statements.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the District.

We recommend the District personnel 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 certification language 5705.41(D) requires to authorize disbursements.

The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

**Officials' Response:**

Purchase order Certificates have always been provided by the Clerk, but signed by a Board member, since we felt this provided another "check and balance" in the purchasing system. We understand that the Clerk's actual signature is the certification that monies are available for each order, and will comply going forward.

**FINDING NUMBER 2007-004**

**Material Noncompliance/Material Weakness**

Ohio Admin. Code Section 117-2-01(D) states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

The District lacked management oversight in the proper posting of 46 posting errors, ranging from \$43 to \$875,000 in the District's accounting records.

**FINDING NUMBER 2007-004  
 (Continued)**

The following are receipts that were not posted to the correct fund:

Item	Amount	Fund Credited	Correct Fund
<b>2006</b>			
Real estate homestead and rollback	\$7,563	General	Bond Retirement
EMS receipts	53,872	General	Ambulance and EMS
Interest and Dividends earned on savings account and not clearing account	5,649	Bond Retirement	General
<b>2007</b>			
Half real estate homestead and rollback	8,431	General	Bond Retirement
EMS Receipts	47,959	General	Ambulance and EMS
Interest and Dividends earned on savings account and on note clearing account	3,293	Bond Retirement	General

The following errors overstated or understated receipts and disbursements:

Item	Amount	Reported As	Correct Posting
<b>2006</b>			
Refund for cot purchased posted as a receipt	\$3,520	General Fund Miscellaneous Receipt	Reduce General Fund Public Safety expenditures

Item	Amount	Reported As	Correct Posting
<b>2007</b>			
Refund for insurance bill paid twice posted as a receipt	5,611	General Fund Miscellaneous	Reduce General Fund Public Safety expenditures
Dividends earned on note clearing account not posted, but netted from debt payment	2,164	Not posted or reported	General Fund Earnings on Investments and Debt Service Interest and Fiscal Charges
Realtor commission on sale of land	6,000	Not posted or reported	General Fund Sale of Assets receipt and Public Safety expenditure

**FINDING NUMBER 2007-004  
 (Continued)**

The following transactions were not posted to the correct transaction line-item account:

<b>Fund</b>	<b>Item</b>	<b>Amount</b>	<b>Financial Statement Transaction Line-Item Reported</b>	<b>Correct Financial Statement Transaction Line-Item</b>
<b>2006</b>				
General	public utilities reimbursement, HB 66 distribution, Personal Property Tax Exemption	\$7,558	Taxes	Intergovernmental
General	Candle Lite donation in lieu of taxes	10,128	Taxes	Revenue in Lieu of Taxes
General	Grant from County for life squad	40,000	Miscellaneous	Intergovernmental
General	Purchase of ambulance	79,500	Public Safety	Capital Outlay
Bond Retirement	Candle Lite donation in lieu of taxes	4,461	Taxes	Revenue in Lieu of Taxes
Bond Retirement	Sale of Bonds	875,000	Sale of Notes	Sale of Bonds
Bond Retirement	Deductions from tax settlements	2,244	Debt Service Interest and Fiscal Charges	Other
<b>2007</b>				
General	2 <sup>nd</sup> half manufactured home tax	1,682	Intergovernmental	Taxes
General	public utilities reimbursement, reimbursement of HB 66, Excess KWH reimbursement	12,876	Taxes	Intergovernmental
Bond Retirement	2 <sup>nd</sup> half manufactured home tax	774	Intergovernmental	Taxes
Bond Retirement	10,000 personal property exemption	121	Taxes	Intergovernmental
Bond Retirement	Candle Lite donation in lieu of taxes	3,332	Intergovernmental	Revenue in Lieu of Taxes
Bond Retirement	Deductions from tax settlements	2,697	Debt Service Interest and Fiscal Charges	Other
General	Candle Lite donation in lieu of taxes	7,292	Taxes	Revenue in Lieu of Taxes
General	Local matching for FEMA grant	3,500	Public Safety	Transfers-Out
General	Sale of land and building	100,000	Miscellaneous	Sale of Fixed Assets
Bond Retirement	December payment of bond interest	19,819	Debt Service Redemption of Principal	Debt Service Interest and Fiscal Charges

**FINDING NUMBER 2007-004  
(Continued)**

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The District made reclassifications and adjustments on the financial statements to correct the significant items. We recommend that the Fiscal Officer review the chart of accounts to assure posting to the proper funds and account codes.

**Officials' Response:**

The finding states that the District was in error by posting several items to "Taxes" that should have been posted to "Intergovernmental". This is in direct conflict with recommendation #2 in the management letter from the Auditor of State dated March 30, 2004, stating Public Utility tax posted to intergovernmental was reclassified to taxes. It would seem the Auditor's methods and instructions to the District on these particular items in these two years are in conflict, so it is very difficult for the District to know how to comply. The District has made the recently recommended corrections in postings.

**Auditor of State Conclusion:**

The public utilities reimbursements reclassified to intergovernmental revenue in the finding above are payments from the state under senate bills 3 (enacted in June 1999) and 287 (enacted in December 2000) enacted by the 123<sup>rd</sup> General Assembly. These payments make up for the lost revenue due to the reduction and phase out of the public utilities tax. Since these are payments from the state and are not taxes they should be reported as intergovernmental revenue. The public utility tax referred to above in the Management Letter in the 2002-03 audit was actually the public utility tax, which has since been phased out.

**FINDING NUMBER 2007-005**

**Material Weakness**

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the District with reasonable assurance that EMS services transactions conform to the contract.

The District has contracted with a local company to perform the billing and collecting for ambulance services, which is a significant accounting function. However, the District did not establish procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that EMS Services have not been completely and accurately processed in accordance with the contract. Failure to monitor the controls of the service organization could result in duplicate invoices, missing invoices, or nonpayment of invoices.

We recommend the District help assure the completeness and accuracy of EMS Services processed by its service organization.



**FINDING NUMBER 2007-005  
(Continued)**

We recommend the District require a Type Two SAS 70 report in its contract with the service organization. The District should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If the third-part administrator refuses to furnish the District with a Type Two SAS 70 report, we recommend the District contract with a service organization that will provide such a report.

We also recommend the District establish procedures to reconcile the amount reported as collected by the service organization to the deposits onto the bank account and postings into the Ambulance and EMS Fund. These receipts should be reconciled with the amount billed by the service organization. By reconciling the receipt and disbursement cycle, the District can reduce the risk of duplicate invoices or missing invoices and nonpayment of invoices. The District should continue to monitor the outstanding balance which, has increased from \$128,863 at January 1, 2006 to \$214,425 at December 31, 2007. To improve monitoring controls over EMS receipts, the Board should review and sign off on the reconciliation and outstanding balance on a monthly basis. After attempting to collect the unpaid balances, the Board should consider turning them over to a collection agency.

**Officials' Response:**

We request that this finding be deleted from the audit for several reasons. The District has tried for several years to obtain a SAS 70 from our former billing service provider and she consistently refused. This matter has been discussed during each of the past two audits, and was not listed as a finding because we have been trying to correct the situation. In late 2006 and early 2007 we informed our billing service that we were terminating her services and moving to another company that would provide a SAS 70 and better monitoring of collections and deposits. After promises that she would improve and comply with our requirements, we relented. In 2007, after no improvement occurred, we started the process of changing providers. The District spent considerable effort in 2007 searching for a service provider that would meet our requirements (and requirements discussed in prior years with the Auditors) for monitoring, compliance, and providing a SAS 70. An agreement was reached in early 2008, and the transition officially occurred in May 2008, and the district is now in compliance.

Contrary to the statement in paragraph two stating that the district had no procedures in place to monitor billing controls, we have always had our own spreadsheet system to track billings and receipts. In the past two audits for the district, the auditor in charge recognized the district's spreadsheet as adequate for monitoring and maintaining billing controls.

The last paragraph recommends we establish procedures to reconcile billing, collections, and deposits. Again, we have done so on a regular basis. The "outstanding" amount of \$214,425 will continue to grow indefinitely, and is mostly irrelevant since Medicare and Insurance payments (and therefore collections and deposits) are always less than the amount billed. Additionally, it is the policy of the District Board that we do not attempt collection of any amount beyond what Medicare or Insurance pays on ambulance runs made for citizens that are residents of our District, since they are already paying "out-of-pocket" for part of the cost of these services by approving and paying our District property tax levy. The recommendation by the Auditor that the District should turn these amounts over to a collections agency is inappropriate. The decision to turn any account over to a collection agency is solely the authority of the District Board.

**Auditor of State Conclusion:**

Auditing standards prohibit us from removing the SAS 70 comment, because the deficiency existed during our audit period. However, we commend the District's efforts to address this issue, and the May 2008 agreement should permit us to remove this comment from future audits.

**FINDING NUMBER 2007-005  
(Continued)**

Also, while we recognize the District kept a spreadsheet that compared the billings from the service organization and the collections from the service organization, there was no reconciliation of the amount collected by the service organization to the amount deposited or posted to the District's accounting system.

Since the District's policy is to not attempt collection of any amount beyond what Medicare or insurance payments for residents of the District, they should still monitor the outstanding balances for the accounts they intend to collect and consider following up on the unpaid balances. The District should also write off amounts it deems uncollectible. The District should establish criteria for determining uncollectible accounts. The Fiscal Officer should present a list of uncollectible accounts at Board meetings for their ratification before writing off any balances.



**Mary Taylor, CPA**  
Auditor of State

**HIGHLAND COUNTY NORTH 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  
JANUARY 13, 2009**