



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – General Fund – For the Years Ended December 31, 2001 and 2000	3
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Lynchburg Area Joint Fire and Ambulance District
Highland County
P.O. Box 585
Lynchburg, Ohio 45142

To the Board of Trustees:

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, 2001 and 2000. 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.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Charges for Services reported in the General Fund are processed by a service organization that is independent of the District. The service organization did not provide us with information regarding the design or proper operation of its internal control relative to the processing of the District's ambulance run receipts. We were unable to perform procedures to satisfy ourselves as to the proper processing of the ambulance run receipts. Ambulance run receipts represent 11% of the District's General Fund cash receipts for 2001 and 7% of the District's General Fund cash receipts for 2000.

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, except for the adjustments, if any, that would be necessary had we been able to examine the Charge's for Services activity in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 2001 and 2000, and its combined 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 30, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 30, 2002

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Receipts:		
Local Taxes	\$ 150,700	\$ 151,023
Intergovernmental	23,864	35,397
Charges for Services	21,574	14,013
Earnings on Investments	2,599	2,255
Miscellaneous	<u>2,072</u>	<u>1,279</u>
 Total Cash Receipts	 <u>200,809</u>	 <u>203,967</u>
 Cash Disbursements:		
Current:		
Security of Persons and Property	79,748	57,383
General Government	18,848	18,114
Capital Outlay	<u>21,812</u>	<u>43,511</u>
 Total Cash Disbursements	 <u>120,408</u>	 <u>119,008</u>
 Total Receipts Over/(Under) Disbursements	 80,401	 84,959
 Fund Cash Balances, January 1	 <u>\$ 88,878</u>	 <u>\$ 3,919</u>
 Fund Cash Balances, December 31	 <u>\$ 169,279</u>	 <u>\$ 88,878</u>

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

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 politic and corporate established for the purpose of exercising 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 is to provide 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 of the four Township's Board of Trustees, and one from the Village's legislative authority. The board is responsible for employing a Clerk of the Board of the District Trustees 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 Joint Fire and Ambulance 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 Deposits

District funds are deposited in a NOW checking account with a local commercial bank.

D. Fund Accounting

The District has no funds that are required to be restricted as to use; therefore, the District classifies its funds as a General Fund. The General Fund is the general operating fund and is 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 of Trustees 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, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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 Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$169,279</u>	<u>\$88,878</u>

Deposits: Deposits up to \$100,000 are insured by the Federal Depository Insurance Corporation. The District did not require the depository to provide as security an amount equal to the funds on deposit over and above F.D.I.C. coverage at all times as required by Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	<u>\$145,220</u>	<u>\$200,809</u>	<u>\$55,589</u>
2001 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	<u>\$145,220</u>	<u>\$120,408</u>	<u>\$24,812</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	<u>\$145,220</u>	<u>\$203,967</u>	<u>\$58,747</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	<u>\$149,144</u>	<u>\$119,008</u>	<u>\$30,136</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.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

5. DEBT

Debt, which is in the name of the Village of Lynchburg, outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond	<u>\$60,000</u>	5.52%

All assets owned by the Village Fire Department were turned over to the District at the time of its formation. Any debt on such assets would remain in the name of the Village of Lynchburg with all future payments to be assumed by the District. The Village of Lynchburg issued a general obligation bond to finance the purchase of a new fire truck. The bond was issued on December 11, 1995 in the amount of \$150,000 matures on December 1, 2005. The general obligation bonds are collateralized by the Village's taxing authority.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
2002	\$18,148
2003	17,308
2004	16,473
2005	<u>15,629</u>
Total	<u>\$67,558</u>

6. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

7. MATERIAL NONCOMPLIANCE

The District did not prepare or file an annual report with the Board of Trustees or Auditor of State, contrary to Ohio law.

The District did not maintain the prescribed accounting records and documents as required by the Ohio Administrative Code.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lynchburg Area Joint Fire and Ambulance District
Highland County
P.O. Box 585
Lynchburg, Ohio 45142

To the Board of Trustees:

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, 2001 and 2000, and have issued our report thereon dated April 30, 2002, which was qualified since we were unable to perform procedures to satisfy ourselves as to the proper processing of the ambulance run receipts recorded as charges for services in the General Fund. Except as described in the preceding sentence, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30436-001 through 2001-30436-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 30, 2002.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 2001-40436-002 through 2001-40436-006.

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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we believe the reportable conditions described above as items 2001-40436-002 through 2001-40436-004 and 2001-40436-006 are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 30, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 30, 2002

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30436-001

Finding For Recovery Repaid Under Audit

The Board of Trustees of the District passed resolution dated 12/9/99 establishing the applicable salary and per run rates for all chiefs and assistant chiefs as follows:

- Chief is to be paid \$150/month with no payment for runs.
- The original resolution was revised on 5/10/00 raising the Chief's salary from \$100/month.
- Assistant Fire Chief is to be paid \$50/month plus \$5/run.
- Assistant Squad Chief is to be paid \$50/month plus \$10/run.

Annual salary expenditures to the respective chiefs were more than the established resolutions during the audit period as follows:

- Bob Bain, Chief was paid an aggregate of \$150 more than established.
- David Higgins, Assistant Fire Chief was paid an aggregate of \$50 more than established.
- David Bushelman, Assistant Squad Chief was paid an aggregate of \$50 more than established.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money being illegally expended is hereby issued against Bob Bain for \$150, David Higgins for \$50, and David Bushelman for \$50 and in favor of the District General Fund. However, when informed of the overpayment, the Clerk of the District decreased the March 15, 2002 paychecks of Bob Bain by \$150, David Higgins by \$50, and David Bushelman by \$50 as repayment of these overpayments in full.

FINDING NUMBER 2001-30436-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give 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.

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

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 2001-30436-002
(Continued)**

- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the expenditures tested, 90% did not contain prior certification or a then and now certification of the fiscal officer, contrary to this requirement.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be done for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.

FINDING NUMBER 2001-30436-003

Noncompliance Citation/Material Weakness

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 2001-30436-004

Noncompliance Citation/Material Weakness

Ohio Admin. Code, Section 117-2-02, outlines the accounting system and accounting records that are to be maintained 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 and contractual requirements and prepare financial statements.

FINDING NUMBER 2001-30436-004
(Continued)

Subsection (C) provides the following systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office:

- A. The accounting system should integrate the budgetary accounts, at the legal level of control or lower, to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.
 - The manual accounting system of the District did not integrate the approved budgetary amounts into the respective receipts and appropriations ledger as required to allow for ongoing comparison and timely reporting to the management of the District. Without a timely and ongoing comparison of budget to actual amounts, the District is at risk of under estimating receipts and/or appropriations, and thus increasing the possibility of a negative fund balance. A complete and detailed comparison of budget to actual information should be provided to the Board of Trustees at each regular monthly meeting.
- B. Purchase orders, certified by the fiscal officer, should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s). The certificate should be attached at the time a commitment to purchase goods or services is made.
 - As noted in finding 2001-30436-002 above, the District failed to use purchase orders on 90% of its audit period expenditures. Without the use of a properly completed purchase order which has been certified by the Clerk, disbursements could be made without adequate current resources being available, could be made from the wrong budgetary appropriation line item, or could be made in excess of authorized appropriations. A standard purchase order should be completed and certified by the Clerk prior to the purchase commitment being made, and said purchase order should be properly recorded to the appropriation ledger to encumber funds against the applicable account line items.
- C. Vouchers containing the date, purchase order number, the account code, amount, and approval may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office.
 - The Clerk failed to issue vouchers to the Board of Trustees authorizing checks to be drawn as payment for lawful obligations. The lack of using a voucher for each invoice issued for payment increases the probability of duplicate payments, unauthorized purchases and subsequent checks being issued. A voucher containing all required information should be issued by the Clerk, and authorized by the Board of Trustees for each invoice issued for payment.

Subsection (D) provides that the accounting records should include the following:

- A. A cash journal containing the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
 - The Clerk failed to maintain a cash journal during the audit period. Without properly maintaining a Cash Journal for all transactions of the District, the risk of misclassifying receipts and expenditures, and/or identifying unrecorded receipts and expenditures is greatly increased. A Cash Journal containing all required information should be maintained by the Clerk, and should be reconciled to the receipts ledger, appropriations ledger, and bank balance on at least a monthly basis.

**FINDING NUMBER 2001-30436-004
(Continued)**

- B. A receipts ledger which assembles and classifies receipts into separate accounts and contains the amount, date, name of the payor, purpose, receipt number, and other information required for the transaction.
- While the clerk did maintain a manual receipts ledger during the audit period, it failed to contain the appropriate account codes, purpose, receipt number, and estimated receipts for each respective line item. A detailed receipts ledger reduces the risk of misclassifying receipts, increases the possibility of identifying unrecorded receipts, provides a continuing comparison of budgeted receipts to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. A receipts ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.
- C. An appropriation ledger which assembles and classifies expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- While the clerk did maintain a manual disbursement ledger during the audit period, it failed to contain the appropriate account codes, check number, estimated appropriations for each respective line item, declining unencumbered balance, and monthly totals. A detailed appropriations ledger reduces the risk of misclassifying expenditures, increases the possibility of identifying unrecorded expenditures, provides a continuing comparison of budgeted appropriations to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. An appropriation ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.

FINDING NUMBER 2001-30436-005

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Sections 135.18 and 135.181, requires that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. During the audit period there were several occasions where the total deposits of the District exceeded the \$100,000 security of repayment provided by F.D.I.C. coverage. The Clerk of the District failed to require their designated depository institution to pledge eligible pooled or specific securities to secure the repayment of all public monies deposited in the institution and not otherwise secured. The District should regularly monitor its total deposit position with its designated depository for the purpose of determining if additional collateral over and above F.D.I.C. coverage is required. Lack of adequate security of all public moneys could result in the District losing all funds on deposit over and above the coverage provided by F.D.I.C.

FINDING NUMBER 2001-30436-006

Material Weakness

The District has delegated ambulance billing processing and collecting, which is a significant accounting function, to a billing agency. The District has not established procedures to reasonably determine that ambulance billings have been completely and accurately processed and collected in accordance with the ambulance billing contract.

The Lynchburg Area Joint Fire and Ambulance District should implement procedures to reasonably assure the completeness, and accuracy of ambulance billing and collecting processed by their billing agency. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of bill processing controls which should satisfy this requirement. As described in that Statement, we suggest that the District obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the billing agency. Such a report, if unqualified, would provide evidence to the District's management that ambulance billing and collecting were being processed in conformance with the contract.

We also recommend that the District specify in their contract with the third party administrator that an annual SAS 70 audit report be performed. The District should be provided a copy of the report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
JUNE 18, 2002**