

**LYNCHBURG AREA JOINT FIRE  
AND AMBULANCE DISTRICT  
Regular Audit  
December 31, 2007 and 2006**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
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, 2006 through December 31, 2007. 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 6, 2008

**This Page is Intentionally Left Blank.**

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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Years Ended December 31, 2007 and 2006.....	3
Notes to the Financial Statements .....	4
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings .....	11
Schedule of Prior Audit Findings .....	17

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

August 15, 2008

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

Except as discussed in paragraph six, 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.

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 the State permits, but does not require 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 their changes in financial position for the year then ended.

The District did not provide adequate supporting documentation for charges for services receipts to enable us to determine the completeness, occurrence, allocation, and rights and obligations of charges for services in the financial statements in 2007 and 2006, nor were we able to satisfy ourselves as to those receipts through the use of alternative procedures. These charges for services revenues represent 6.06 and 11.23 percent of total revenues for the year ended December 31, 2007 and 2006 respectively.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support the completeness, occurrence, allocation, and rights and obligations of charges for services receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District 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 aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 August 15, 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.

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, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Receipts:</b>		
Local Taxes	\$ 292,284	\$ 289,375
Intergovernmental	34,788	36,919
Charges for Services	21,190	41,642
Earnings on Investments	574	1,920
Other Revenue	<u>1,280</u>	<u>1,175</u>
 Total Cash Receipts	 <u>350,116</u>	 <u>371,031</u>
<b>Cash Disbursements:</b>		
Current:		
Public Safety	186,096	176,388
Note Principal Payment	28,494	34,561
Note Interest	44,651	46,243
Capital Outlay	<u>5,534</u>	<u>20,606</u>
 Total Cash Disbursements	 <u>264,775</u>	 <u>277,798</u>
 Total Receipts Over/(Under) Disbursements	 <u>85,341</u>	 <u>93,233</u>
 Fund Cash Balances, January 1	 <u>288,007</u>	 <u>194,774</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u><u>\$ 373,348</u></u></b>	 <b><u><u>\$ 288,007</u></u></b>

*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, 2007 AND 2006**

**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's accounting basis includes investments as assets. This basis of accounting does not record disbursements for investments purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District invests all available funds in a NOW checking account and a certificate of deposit 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.

**LYNCHBURG AREA 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)**

**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, and 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 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 carried over, and need not be reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**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. PRIOR PERIOD FUND BALANCE ADJUSTMENT**

The District made a fund balance adjustment in 2006 to correct errors found during cash reconciliations, this adjustment changed the 2006 beginning fund balance as follows:

	<b><u>General Fund</u></b>
Balance as of December 31, 2005	\$185,378
Adjustment for Reconciling Errors	<u>9,396</u>
Adjusted Fund Balance as of January 1, 2006	<u><u>\$194,774</u></u>

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

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

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand Deposits	\$ 273,349	\$ 188,008
Certificate of Deposit	99,999	99,999
<b>Total</b>	<b>\$ 373,348</b>	<b>\$ 288,007</b>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**4. BUDGETARY ACTIVITY**

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

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 337,072	\$ 350,116	\$ 13,044

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 264,775	\$ (264,775)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 371,031	\$ 371,031

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 277,798	\$ (277,798)

Contrary to Ohio Rev. Code Section 5705.36, the District did not certify to the county auditor the total amount from all sources which is available for expenditures for 2006.

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

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

**4. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.39, the appropriations exceeded estimated resources in 2007 and 2006 in the General Fund.

Contrary to ORC Section 5705.41 (B) all funds had expenditures exceeding appropriations in 2007 and 2006.

**5. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond	<u>\$ 831,430</u>	5.23%

The District issued a general obligation bond to finance part of the cost of new construction of a fire and ambulance station in 2005 for \$900,000. The general obligation bonds are collateralized by the taxing authority of the District. The prior audit reflected an inaccurate balance due at December 31, 2005 of \$900,000. The principal outstanding at December 31, 2005 was \$894,485.

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

<u>December 31:</u>	<u>Building</u>
2008	\$ 71,977
2009	70,460
2010	68,943
2011	67,427
2012	65,910
Thereafter	<u>1,114,748</u>
Total	<u>\$ 1,459,465</u>

**6. 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, 2007 AND 2006  
(Continued)**

**7. RETIREMENT SYSTEMS**

The District's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2007 and 2006, members of PERS contributed 9.5% (2007) and 9% (2006) of their gross salaries. The District contributed an amount equal to 13.85% (2007) and 13.7% (2006) of participants' gross salaries. The District has not paid all contributions required through December 31, 2007.

**8. RISK MANAGEMENT**

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 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 the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

August 15, 2008

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

To the Board of Trustees:

We have audited the financial statements of **Lynchburg Area Joint Fire and Ambulance District, Highland County, Ohio** (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 15, 2008, wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the charges for services receipts. Also, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. Except as discussed above, 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 opinions 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 considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be 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: 2007-001 through 2007-011.

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 2007-003, 2007-008 and 2007-010 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 the following instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001 through 2007-004.

This report is intended solely for the information and use of District management and Board of Trustees 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, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Significant Deficiency**

**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. Rather, the clerk filed a general ledger.

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.

**FINDING NUMBER 2007-002**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 145.03(A)** states a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in Section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues. Section 145.03(B) provides that if applicable, an election to be exempted from membership or contribution shall be made by signing a written application for exemption within the first month after being employed and filing the application with the public employees retirement board.

PERS exemption forms were not on file for District officials or employees who did not contribute to PERS. Ohio Revised Code Section 145.03(B) requires employees to sign a written application for exemption within the first month of employment. PERS was not paid during the audit period for any District officials or employees.

**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, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

**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 2006. A tax budget was not filed with the county auditor for 2006.

**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 2006. A resolution form was not filed with the county auditor in 2006.

**Ohio Rev. Code Section 5705.36** states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing unites are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The District did not certify with the county auditor the total amounts from all sources which is available for expenditures for 2006.

**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 2006 and 2007 did not include any resolution adopting appropriations for 2006 or 2007 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 2006 and 2007 because no appropriations were made.

By having weak oversight over the above non-compliance items, the District significantly increases the risk of negative fund balances, expending more than is available, and the over appropriation of funds. Management of the District should take due care to monitor the District's budgetary receipt and expenditure positions by having the Clerk provide Comparison of Budget and Actual Receipts Report and Appropriation Status reports at least quarterly to be reviewed and approved by the Board.

By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the District.

**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, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
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 entity 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.

The District did not obtain the fiscal officer's certificate for any expenditure during 2006 or 2007. 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.

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

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

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

**Noncompliance Citation/Significant Deficiency (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

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

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

**FINDING NUMBER 2007-005**

**Significant Deficiency**

**Clerk Bonding**

The District was unable to provide documentation indicating that the Clerk was properly bonded. We could also find no evidence the District had a blanket bond to cover other employees responsible for cash collections. By not having the appropriate employees properly bonded, the District is subject to potential loss of assets in the event of mismanagement of District funds.

We recommend the District obtain the proper bonding for the Clerk and obtain a blanket bond for employees who perform cash collections. The amount of the bond should be commensurate with the duties of the employee.

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

**FINDING NUMBER 2007-006**

**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.

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

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-007**

**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.

**FINDING NUMBER 2007-008**

**Significant Deficiency/Material Weakness**

**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 2007-009**

**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 AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-010**

**Significant Deficiency/Material Weakness**

**Billing Service**

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.

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

**FINDING NUMBER 2007-011**

**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 PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Ohio Admin Code 117-2-02 – Accounting records	Yes	
2005-002	Ohio Revised Code, Section 117.38 – Annual financial reports	No	Not Corrected – Reissued as 2007-001
2005-003	Ohio Revised Code, Section 121.22 – Board minutes	Yes	
2005-004	Ohio Revised Code, Section 5705.28, 5705.34, 5705.38, 5705.41 – Budgetary compliance	No	Not Corrected – Reissued as 2007-003
2005-005	Ohio Revised Code, Section 5705.41(D) – Certification of Funds	No	Not Corrected – Reissued as 2007-004
2005-006	Disbursement Approval	Yes	
2005-007	Deposit of district receipts	Yes	
2005-008	Payroll records	No	Not Corrected – Reissued as 2007-011
2005-009	Clerk bonding	No	Not Corrected – Reissued as 2007-005
2005-010	Training	No	Not Corrected – Reissued as 2007-006
2005-011	Posting Receipts and Expenditures	Yes	
2005-012	Duplicate Receipts	No	Not Corrected – Reissued as 2007-007
2005-013	Billing Service Reconciliations	No	Not Corrected – Reissued as 2007-008
2005-014	Tax Receipts	No	Not Corrected – Reissued as 2007-009



**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 6, 2008**