



Mary Taylor, CPA
Auditor of State

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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Mary Taylor, CPA
Auditor of State

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
New Paris, Ohio 45347

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.

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Mary Taylor, CPA
Auditor of State

November 25, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the accompanying financial statements of the Northwest Fire and Ambulance District, Preble 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. 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 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 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 of the Northwest Fire and Ambulance District, Preble County, Ohio, 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 November 25, 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.

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

Mary Taylor, CPA
Auditor of State

November 25, 2008

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$174,462		\$174,462
Charges for Services	14,135	147,904	162,039
Intergovernmental	18,896		18,896
Earnings on Investments	2,118		2,118
Miscellaneous	1,745		1,745
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	211,356	147,904	359,260
Cash Disbursements:			
Current:			
General Government	109,462		109,462
Public Safety	39,948	114,456	154,404
Capital Outlay	46,508		46,508
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	195,918	114,456	310,374
Total Receipts Over Disbursements	<hr/>	<hr/>	<hr/>
	15,438	33,448	48,886
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	145,835	75,460	221,295
Fund Cash Balances, December 31	<u>\$161,273</u>	<u>\$108,908</u>	<u>\$270,181</u>

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$175,702		\$175,702
Charges for Services	10,812	162,201	173,013
Intergovernmental	44,307		44,307
Earnings on Investments	1,542		1,542
Miscellaneous	8,072		8,072
	<hr/>		
Total Cash Receipts	240,435	162,201	402,636
Cash Disbursements:			
Current:			
General Government	106,227		106,227
Public Safety	46,287	121,312	167,599
Capital Outlay	62,790		62,790
	<hr/>		
Total Cash Disbursements	215,304	121,312	336,616
	<hr/>		
Total Receipts Over Disbursements	25,131	40,889	66,020
	<hr/>		
Fund Cash Balances, January 1 (Restated - Note 10)	120,704	34,571	155,275
	<hr/>		
Fund Cash Balances, December 31	<u>\$145,835</u>	<u>\$75,460</u>	<u>\$221,295</u>

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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 Northwest Fire and Ambulance District, Preble County, Ohio (the District) as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

The District was organized under Ohio Revised Code Section 505.375.

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 has checking accounts.

D. Fund Accounting

The District uses fund accounting to segregate cash and deposits 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

This fund accounts for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following Special Revenue Fund:

Ambulance and Medical Services Fund - This fund is used to account for fees received for emergency medical services and related expenditures.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE 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 the District to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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 canceled, and reappropriated in the subsequent year. The District canceled \$5,029 in encumbrances at December 31, 2006, and \$4,325 in encumbrances at December 31, 2007, and re-encumbered these amounts in the subsequent years against current appropriations. The District did not properly encumber all commitments required by Ohio law.

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.

2. Equity in Pooled Cash and Deposits

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$270,181</u>	<u>\$221,295</u>

Contrary to Chapter 135, Ohio Revised Code, deposits exceeding \$100,000 (ranging in amounts from \$43,187 to \$207,529) were not insured or collateralized during 2006 and 2007.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

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	\$63,801	\$211,356	\$147,555
Special Revenue	147,904	147,904	0
Total	\$211,705	\$359,260	\$147,555

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$315,544	\$195,918	\$119,626
Special Revenue	114,456	114,456	0
Total	\$430,000	\$310,374	\$119,626

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,524	\$240,435	\$144,911
Special Revenue	162,201	162,201	0
Total	\$257,725	\$402,636	\$144,911

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,688	\$215,304	\$73,384
Special Revenue	121,312	121,312	0
Total	\$410,000	\$336,616	\$73,384

4. Property Tax

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Fire Equipment Lease/Purchase	\$89,920	3.67%

In September 2003, the District entered into a lease/purchase agreement for a new fire pumper. The agreement calls for annual payments of \$47,450 beginning in 2004 and ending in 2009. Balances not paid when due are subject to past due interest at a rate of eighteen percent per year or the highest rate permitted by law, whichever is less. If default on the lease should occur, the title of the pumper will revert back to the lessor. Lease payments are paid from the Capital Outlay line item.

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

	Fire Equipment/ Lease Purchase
Year ending December 31:	
2008	\$47,450
2009	47,450
Total	\$94,900

6. Retirement Systems

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

For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. 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.

8. Contingent Liabilities

The District is defendant in a lawsuit. Although management cannot presently determine the outcome of this lawsuit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

9. Noncompliance

Contrary to Ohio Revised Code, the District did not establish a fund to account for emergency medical services charges.

10. Restatement of Beginning Fund Balance

The District did not establish the required fund to account for emergency medical services charges. Beginning fund balances at January 1, 2006, were restated as follows:

	General Fund	Special Revenue Fund
Beginning Fund Balance, January 1, 2006	\$155,275	
Restatement of Beginning Fund Balance	(34,571)	\$34,571
Beginning Fund Balance, January 1, 2006, as Restated	\$120,704	\$34,571

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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*

Northwest Fire and Ambulance District
Preble County
135 North Washington Street
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the financial statements of the Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 25, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting 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: 2007-003 through 2007-006.

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, of the significant deficiencies described above, we believe finding numbers 2007-003, 2007-004, and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 25, 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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 25, 2008.

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



Mary Taylor, CPA
Auditor of State

November 25, 2008

**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code, Section 135.18, states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged and pooled securities.

Due to lack of monitoring deposit balances, the District did not obtain adequate collateral for its deposits at Eaton National Bank during the audit period. On October 23, 2006, the District's deposits exceeded legal security by \$144,829 (highest amount during 2006). On April 23, 2007, the District's deposits exceeded legal coverage by \$207,529 (highest amount during 2007).

Failure to adequately collateralize deposits could result in loss of public funds in the event of a bank failure. The District should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

FINDING NUMBER 2007-002
(Continued)

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 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 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.

The District did not follow established procedures for certifying expenditures. Of the 40 expenditures tested, the Fiscal Officer did not certify twelve for 2006 (60%) and nine for 2007 (45%), at the time the District incurred the commitment. In addition, we could not determine if the District properly encumbered one expenditure for 2006 and one for 2007 because the District did not maintain invoices for these. Both expenditures were lease payments, which we were able to verify to an amortization schedule. The District lacked management oversight to ensure proper certification of expenditures. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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-Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. 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. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 505.375, provides for the creation of a fire and ambulance district. Specifically, R.C. 505.375(C)(8) states, in pertinent part, that the board of trustees of a fire and ambulance district created under this section may exercise the following powers: establish reasonable charges for the use of ambulance or emergency medical services under the same conditions under which a board of fire district trustees may establish those charges under section 505.371 of the Revised Code.

In addition, **Ohio Rev. Code, Section 505.371(C)(1)**, states, in part, that the board of fire district trustees may establish reasonable charges for the use of ambulance or emergency medical services.

Furthermore, **Ohio Rev. Code, Section 505.371(C)(3)**, states that charges collected under division (C) of this section 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 in the district.

Due to a lack of knowledge of the Ohio Revised Code requirements, the District did not establish the required fund for emergency medical services charges as noted in Finding 2007-004. Failure to establish a separate fund to account for emergency medical services charges could result in misleading financial statements and misappropriation of funds.

We recommend the District establish a separate fund to account for activity related to ambulance and emergency medical services. The District posted adjustments for this fund to their accounting records.

FINDING NUMBER 2007-004

Noncompliance Citation/Material Weakness

Ohio Admin. Code, Section 117-2-01(D), states that when designing the 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, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The District lacked management oversight in the posting of receipts and expenditures. The District incorrectly posted the following:

In 2006:

- Rollback and Homestead revenue in the amount of \$20,421 as Other Revenue instead of Intergovernmental Revenue.
- \$9,500 received from Jackson Township for fire protection to Other Revenue instead of Charges for Services.
- General Government or Public Safety expenditures totaling \$9,391 as Capital Outlay.

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

Noncompliance Citation/Material Weakness

- Grant revenue totaling \$5,208 to Grants instead of Intergovernmental Revenue.
- The District failed to establish a fund to account for emergency medical services charges. For 2006, receipts for this fund totaled \$162,201 and expenditures totaled \$121,312.

In 2007:

- General Government or Public Safety expenditures totaling \$12,888 as Capital Outlay.
- Public utility deregulation settlement in the amount of \$223 to Taxes instead of Intergovernmental Revenue.
- The District failed to establish a fund to account for emergency medical services charges. For 2007, receipts for this fund totaled \$147,904 and expenditures totaled \$114,456.
- When the District closed the Travel and Expense bank account and transferred the remaining funds to the general operating account in February 2007, the District posted the transfer of \$3,000 as a miscellaneous receipt.

The District made adjustments to the accompanying financial statements for the above items.

Failure to properly post revenue and expenditures can result in inaccurate records and could cause the District to misappropriate funds. We recommend the District properly post receipts and expenditures. The District should review receipts posted to the receipt ledger for accuracy. Comparisons between years may aid in the proper posting of receipts. To improve accountability and record keeping, we recommend that the District use due care in posting financial activity to the District's books.

FINDING NUMBER 2007-005

Noncompliance/Significant Deficiency

Ohio Admin. Code, § 117-2-02(C)(1), states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not properly monitor budgetary activity during the audit period. The District did not properly post estimated resources to the receipts ledger for 2007 or 2006 (the amounts did not match).

	2006	2007
Estimated Receipts per receipts journal	\$239,086	\$230,886
Estimated receipts per original certificate of estimated resources	257,725	211,705
Variance	(\$18,639)	\$19,181

The District lacked management oversight to ensure proper posting of budgetary activity. Failure to properly post estimated receipts to the receipts ledger may interfere with the District's ability to monitor revenues, and to limit their spending within the limits of their expected revenue. We recommend the District properly post estimated resources to the ledger and monitor budgetary activity.

This matter was reported in the management letter for our audit of the 2004 and 2005 financial statements.

FINDING NUMBER 2007-006

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-01(D), states that when designing the public office's system of internal control and the specific control objectives, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and periodically reconcile them to the accounting records.

The District does not have proper controls and procedures over Emergency Medical Services (EMS) billing activity as evidenced below. The District contracts with Medical Claims Assistance, Inc. (MCA), an outside service organization, to handle EMS billing activity on behalf of the District. Periodically, MCA remits to the District monies it has collected from patients' insurance companies along with information regarding the EMS runs. Due to lack of proper monitoring procedures, the District performs only a limited review of information received from MCA. The District only reviews run information pertaining to Jackson Township. The District does not compare the information received from MCA back to the original run sheets.

Failure to monitor revenue received from MCA could result in the District not receiving all monies to which it is due.

We recommend the District compare billing information received from MCA to the original EMS run sheets to verify that the District is receiving all money to which it is entitled.

We did not receive a response from officials to the findings above.

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**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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	Revised Code 5705.41(D), failure to certify funds.	No	Not corrected – reissued as Finding 2007-002
2005-002	Revised Code 505.376, failure to seek competitive bid.	Yes	
2005-003	Revised Code, 135.18, inadequate security for public monies.	No	Not corrected – reissued as Finding 2007-001.



Mary Taylor, CPA
Auditor of State

NORTHWEST FIRE AND AMBULANCE DISTRICT

PREBLE 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
DECEMBER 11, 2008**