



**NORTHWEST FIRE AND AMBULANCE DISTRICT
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHWEST FIRE AND AMBULANCE DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

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, 1999 and 1998. 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 audits.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 statement. 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.

Ambulance service billings 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 evidence we requested regarding the design or proper operation of its internal control relative to the processing of District's ambulance service billing transactions. We were unable to perform procedures to satisfy ourselves as to the proper processing of ambulance service billing receipts. Those receipts represent 29.6% and 15.9% of General Fund receipts for 1999 and 1998, respectively.

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 effects of such adjustments, if any as might have been determined to be necessary had we been able to examine evidence regarding ambulance service billing receipts of the General Fund, the financial statements referred to in the first paragraph above present fairly, in all material respects, the fund cash balances of the District, as of December 31, 1999 and 1998, and its cash receipts and unclassified 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 August 10, 2000, 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.

This report is intended solely for the information and use of the Board of Trustees and other officials authorized to receive this report under Section 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 10, 2000

**NORTHWEST FIRE AND AMBULANCE DISTRICT
 COMBINED STATEMENT OF CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$120,296		\$120,296
Intergovernmental	14,038		14,038
Charges for Services	61,279		61,279
Earnings on Investments	10,206	\$1,683	11,889
Miscellaneous	256		256
	<u>206,075</u>	<u>1,683</u>	<u>207,758</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Unclassified	205,506		205,506
Capital Outlay		237,954	237,954
	<u>205,506</u>	<u>237,954</u>	<u>443,460</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>569</u>	<u>(236,271)</u>	<u>(235,702)</u>
Other Financing Receipts/(Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		300,000	300,000
		<u>300,000</u>	<u>300,000</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	569	63,729	64,298
Fund Cash Balances January 1	<u>223,711</u>	<u>0</u>	<u>223,711</u>
Fund Cash Balances, December 31	<u>\$224,280</u>	<u>\$63,729</u>	<u>\$288,009</u>

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
STATEMENT OF CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

Cash Receipts:	
Local Taxes	\$103,155
Intergovernmental	12,618
Charges for Services	40,749
Earnings on Investments	9,177
Miscellaneous	<u>3,023</u>
Total Cash Receipts	<u>168,722</u>
Cash Disbursements:	
Current:	
Unclassified	<u>128,972</u>
Total Disbursements	<u>128,972</u>
Total Receipts Over/(Under) Disbursements	<u>39,750</u>
Fund Cash Balance January 1	<u>183,961</u>
Fund Cash Balance, December 31	<u><u>\$223,711</u></u>

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

**NORTHWEST FIRE AND AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northwest Fire and Ambulance District, Preble County, (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. 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'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 unclassified 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 Deposits

Certificates of deposit are valued at cost. Interest earned is recognized and recorded when received.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following Capital Project Fund:

Capital Equipment Fund - This fund received monies from the sale of notes to construct a new fire house.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

There were no material outstanding encumbrances as of December 31, 1999 or 1998.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 288,009	\$ 72,540
Certificates of deposit	<u> </u>	<u>151,171</u>
Total deposits	<u><u>\$288,009</u></u>	<u><u>\$223,711</u></u>

At December 31, 1999, \$130,413 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 161,761	\$ 206,075	\$ 44,314
Capital Projects	300,000	301,683	1,683
Total	\$ 461,761	\$ 507,758	\$ 45,997

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 312,392	\$ 205,506	\$ 106,886
Capital Projects	300,000	237,954	62,046
Total	\$ 612,392	\$ 443,460	\$ 168,932

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 153,338	\$ 168,722	\$ 15,384
Total	\$ 153,338	\$ 168,722	\$ 15,384

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 164,221	\$ 128,972	\$ 35,249
Total	\$ 164,221	\$ 128,972	\$ 35,249

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the District. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	<u>\$ 300,000</u>	5.75%

The District issued general obligation notes to finance the purchase of a new fire house. The notes were issued on September 30, 1999, in the amount of \$300,000 and have maturities on September 30, 2000. The notes are collateralized solely by the District's taxing authority. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Notes
2000	<u>\$ 317,250</u>

6. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System of Ohio. PERS is a cost-sharing, multiple-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.

PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of the Northwest Fire and Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 10, 2000, in which we noted that the District had insufficient documentation to support the ambulance billing receipts of the General Fund. Except as previously noted, we conducted our audit in accordance with generally accepted auditing standards 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 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*. The instances of noncompliance are described in the accompanying schedule of findings as items 1999-30368-001 and 002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 10, 2000.

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 structure 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. The reportable conditions are described in the accompanying schedule of findings as items 1999-30368-002 and 003.

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 statement 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 that the reportable condition described above as 1999-30368-003 is a material weakness. 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 August 10, 2000.

This report is intended solely for the information and use of the Board of Trustees and other officials authorized to receive this report under Section 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", written in a cursive style.

Jim Petro
Auditor of State

August 10, 2000

**NORTHWEST FIRE AND AMBULANCE DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-30368-001

Material Noncompliance

Ohio Rev. Code, Section 135.18, specifies that the clerk shall require public depositories to pledge to and deposit with the district, as a security for the repayment of all public monies to be deposited in the public depository during the period of designation, eligible securities of aggregate market value equal to the excess of the amount of public monies deposited over and above such portion or amount as is time insured by the Federal Deposit Insurance Corporation or by any other agency or instrumentality of the federal government.

The Northwest Fire and Ambulance did not receive collateral statements during the audit period, and did not have a current depository agreement with the Eaton National Bank and Trust Company. The deposit balance exceeded the amount insured by federal deposit insurance. For example on December 22, 1999, \$130,413 on deposit with public depositories was not collateralized by eligible securities.

Failure to properly collateralize deposits could lead to a loss of deposits in the event of a bank failure.

The District should take steps to ensure that all District deposits are adequately collateralized. We recommend the District obtain collateral statements from each applicable depository quarterly.

FINDING NUMBER 1998-30368-002

Material Noncompliance and Reportable Condition

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:

1. 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 of such certificate.
2. 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.

The District did not properly certify the availability of funds. The invoice preceded the purchase order for 40% of the District's expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the District properly certify the availability of funds by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**NORTHWEST FIRE AND AMBULANCE DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30368-003

Material Weakness

The District has delegated insurance claims collection processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to reasonably determine that insurance claims have been completely and accurately accounted for and collected.

We recommend the District implement procedures to reasonably assure the completeness and accuracy of insurance claims processed by their third-party administrator. Statement of Auditing Standards No. 70 (SAS 70) as amended by SAS No. 89, prescribes testing and reporting standards for audits of claims processing controls which should satisfy this requirement. As described in this statement, we suggest that the District obtain a "Report of Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the third party administrator. Such a report, if unqualified, would provide evidence to the District's management that insurance claims were being fully collected and remitted to the District.

We further recommend, with or without a SAS 70 report as described above, that the District put into place internal control measures to monitor the collection process. This includes, but is not limited to, a ledger that tracks the billings that are sent to the third party administrator, the collections that are returned and investigations of those billings that are not remitted.



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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
AUGUST 29, 2000**