



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Southeast Ohio Emergency Medical Services District
Gallia County
3240 State Route 160
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statement of Southeast Ohio Emergency Medical Services District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain adequate financial records supporting the accounts receivable amounts disclosed in Note 3, nor were we able to satisfy ourselves as to those amounts by other auditing procedures.

As discussed in Note 1, during 2000 the District changed its accounting methods from a basis in accordance with generally accepted accounting principles to 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 adjustment, if any, as might have been determined to be necessary had we been able to audit the accounts receivable information disclosed in Note 3, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Southeast Ohio Emergency Medical Services District, Gallia County, as of December 31, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, 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

July 22, 2002

**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

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

	2001	2000
Operating Cash Receipts:		
Charges for Services - Patient	\$ 1,912,285	\$ 2,333,500
Charges for Services - County	3,307,155	2,990,903
Interest	37,168	43,487
Miscellaneous	294,652	146,400
	5,551,260	5,514,290
Operating Cash Disbursements:		
Salaries and Wages	2,602,812	2,573,012
Note Principal		21,027
Note Interest		1,051
Other Operating Cash Disbursements	2,976,457	2,789,178
	5,579,269	5,384,268
Operating Income/(Loss)	(28,009)	130,022
Cash Balance, January 1	987,288	857,266
Cash Balance, December 31	\$ 959,279	\$ 987,288

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

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**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southeast Ohio Emergency Medical Services District, Gallia 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 was created under Section 307.05, Revised Code, and serves the following counties: Athens, Jackson and Lawrence. The District was organized on January 1, 1996, and operates under a nine member board which consists of three representatives from each county in the District. Emergency medical services are provided to each county under a contract arrangement. Each county is billed on a monthly basis for the services provided to their county.

The significant accounting policies followed in the preparation of the financial statement are summarized below. The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Basis of Accounting – Change in Accounting Principals

This financial statement follows 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.

During 2000, the District changed its basis of accounting from Generally Accepted Accounting Principals (GAAP) to the basis of accounting described above.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 statement.

D. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investments 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:

Demand deposits	\$ 526,281	\$ 230,389
Certificates of deposit	152,772	155,802
Total deposits	<u>679,053</u>	<u>386,191</u>
Repurchase agreement	280,226	601,097
Total deposits and investments	<u>\$ 959,279</u>	<u>\$ 987,288</u>

**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District at Ohio River Bank, or (3) collateralized by the financial institution's public entity deposit pool at Oak Hill Bank.

Investments: The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

3. ACCOUNTS RECEIVABLE

Unaudited accounts receivable balances from patient billings for December 31, 2001 and 2000 are as follows:

	2001	2000
Accounts Receivable	\$ 1,885,996	\$ 1,656,401
Less: Allowance for Uncollectibles	(82,224)	(75,040)
Net Receivable	<u>\$ 1,803,772</u>	<u>\$ 1,581,361</u>

4. DEBT

There was no debt outstanding at December 31, 2001. There were two loans repaid during 2000.

5. RETIREMENT SYSTEMS

All employees of the District participate in the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. Administrative personnel contribute 4.5% of their gross salaries to PERS. The District contributes the remaining 4% of the 8.5%. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The District has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal years 2001 and 2000 the District contracted for the following insurance coverage:

- General liability
- Public Officials' Wrongful Act Liability
- Fleet Liability
- Property
- Electronic Equipment and Computers
- Inland Marine
- Blanket Bond
- Crime



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

Southeast Ohio Emergency Medical Services District
Gallia County
3240 State Route 160
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statement of Southeast Ohio Emergency Medical Services District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 22, 2002, wherein, we have disclaimed our opinion regarding the accounts receivable information disclosed in Note 3, and noted that the District changed its basis of accounting to a basis permitted by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-60705-001 through 2001-60705-003.

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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-60705-002 to be material weakness. Also, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated July 22, 2002.

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

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

Jim Petro
Auditor of State

July 22, 2002

**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2001-60727-001

Reportable Condition

The Southeast Ohio Emergency Medical Services District maintained financial records on an accrual basis of accounting. Financial reports included a balance sheet, operating statement and general ledger trial balances. The current system in use by the District did not generate data to be used in reporting on the basis of accounting prescribed or permitted by the Auditor of State which is similar to the cash receipts and disbursements basis of accounting. The financial statements used in this audit period had to be created from the cash asset accounts.

We recommend the District consider purchasing a system that will operate on the cash receipts and disbursements basis of accounting and still have the capability of maintaining accounts receivable for the patient billings. This will enable the system to provide a financial report on the cash receipts and disbursements basis of accounting to be used for audit purposes.

Finding Number 2001-60727-002

Material Weakness

The accounts receivable balance in the General Ledger was not supported. The amount posted to the General Ledger was generated from manual entries of data received from the billing system which included total billed, total collected, total contractual adjustment, and total bad debt write-offs. The billing system generated an Open Accounts Detailed Report which showed the account balances on each open account for a stated period of time; however, the report did not give a grand total. Furthermore, this report was not all inclusive since date restrictions must be given which excluded any open accounts prior to and after the date restrictions entered. This resulted in a lack of supporting information for Note 3.

We recommend the District maintain a listing of all open accounts, along with balances receivable as of the balance sheet date in order to tie the billing system to the General Ledger and support the amount reported as accounts receivable.

Finding Number 2001-60727-003

Reportable Condition

Contractual adjustments to accounts receivable were performed when payments were received from an insurer (Medicare, Welfare, United Mine Workers, etc.) for which the law requires services to be provided and the payment rendered by the insurer must be accepted as payment in full. If a payment was received from one of these insurers for less than the amount billed, a contractual adjustment was made for the remaining balance, to remove that balance from the accounts receivable total. Furthermore, when an account is declared indigent or deceased, the balance is reduced from the accounts receivable total and the allowance for uncollectible total. Bad debt write-offs and contractual adjustments were performed by the accounts receivable department, however, there is no supervisory review or approval of these adjustment amounts.

We recommend all contractual adjustments and bad debt write-offs be approved by someone other than the accounts receivable staff in order to verify adjustments are being performed according to District policies and state law.

**SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 31, 2001-2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-1999-001	Accounts receivable, allowance for doubtful accounts, contractual adjustments, and provision for patient collection losses reported in the general purpose financial statements were unable to be supported.	No	Included in the Schedule of Findings as items 2001-60727-002 and 2001-60727-003.



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SOUTHEAST OHIO EMERGENCY MEDICAL SERVICES DISTRICT

GALLIA 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 27, 2002**