



Mary Taylor, CPA
Auditor of State

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA
Auditor of State

TEMS Joint Ambulance District
Jefferson County
P.O. Box 307
Toronto, Ohio 43964-0307

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 1, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

TEMS Joint Ambulance District
Jefferson County
P.O. Box 307
Toronto, Ohio 43964-0307

To the Board of Trustees:

We have audited the accompanying financial statements of TEMS Joint Ambulance District, Jefferson County, (the District) as of and for the years ended December 31, 2008 and 2007. 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.

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, 2008 and 2007 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, 2008 and 2007, 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 fund cash balances of TEMS Joint Ambulance District, Jefferson County, as of December 31, 2008 and 2007, and its 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 October 1, 2009, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 1, 2009

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|--|------------------|------------------|
| Cash Receipts: | | |
| Property and Other Local Taxes | \$297,706 | \$345,541 |
| Charges for Services | 327,548 | 257,602 |
| Intergovernmental | 67,174 | |
| Earnings on Investments | 6,232 | 12,962 |
| Miscellaneous | 19,111 | 1,429 |
| | 717,771 | 617,534 |
| Cash Disbursements: | | |
| Current Disbursements: | | |
| Security of Persons and Property: | | |
| Salaries | 355,109 | 309,501 |
| Fringe Benefits | 74,508 | 66,863 |
| Materials and Supplies | 58,100 | 32,613 |
| Equipment | 197,593 | 8,074 |
| Other | 57,693 | 49,031 |
| Debt Service: | | |
| Redemption of Principal | | 144,088 |
| Interest and Other Fiscal Charges | | 5,096 |
| | 743,003 | 615,266 |
| Total Receipts Over/(Under) Disbursements | (25,232) | 2,268 |
| Other Financing Receipts / (Disbursements): | | |
| Sale of Notes | 80,000 | |
| Other Financing Sources | 71,002 | |
| | 151,002 | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 125,770 | 2,268 |
| Fund Cash Balances, January 1 | 228,525 | 226,257 |
| Fund Cash Balances, December 31 | \$354,295 | \$228,525 |

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

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**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 TEMS Joint Ambulance District, Jefferson County, (the District) as a body corporate and politic. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the City of Toronto, Village of Empire, Village of Stratton, and Knox Township. The District provides 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. 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. Deposits and Investments

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

The District values certificates of deposit at cost.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. DEPOSITS AND INVESTMENTS

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

| | 2008 | 2007 |
|-------------------------|-----------|-----------|
| Demand deposits | \$152,630 | \$85,436 |
| Certificates of deposit | 201,665 | 143,089 |
| Total deposits | \$354,295 | \$228,525 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

| Budgeted vs. Actual Receipts | | | |
|------------------------------|----------------------|--------------------|-----------|
| Year | Budgeted Receipts | Actual Receipts | Variance |
| 2008 | \$330,270 | \$868,773 | \$538,503 |
| 2007 | \$0 | \$617,534 | \$617,534 |

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

| Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|-------------|
| Year | Appropriation Authority | Budgetary Expenditures | Variance |
| 2008 | \$584,625 | \$743,003 | (\$158,378) |
| 2007 | \$567,625 | \$615,266 | (\$47,641) |

Contrary to Ohio Revised Code Section 5705.36, the District failed to certify the amount of available resources to the County Auditor in 2007. In addition, appropriations exceeded the amount certified as available in both 2007 and 2008. Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority by \$158,378 and \$47,641 for the years ended December 31, 2008 and 2007, respectively.

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.

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 Township.

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

| | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| U.S. Bank Ambulance Loan | \$80,000 | 3.74% |
| Total | \$80,000 | |

The District entered into a loan with U.S. Bank N.A. on November 18, 2008 to finance the purchase of a new ambulance. The District's security interests and assets collateralized the bonds. Payments on this loan are due in two installments on November 19, 2009 and 2010.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. DEBT – (Continued)

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

| Year ending December 31: | Ambulance Loan |
|--------------------------|-------------------|
| 2009 | \$42,294 |
| 2010 | 42,221 |
| Total | \$84,515 |

6. RETIREMENT SYSTEMS

The District's 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.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the District contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT – (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

| | <u>2007</u> | <u>2006</u> |
|-------------|---------------------|---------------------|
| Assets | \$37,560,071 | \$36,123,194 |
| Liabilities | <u>(17,340,825)</u> | <u>(16,738,904)</u> |
| Net Assets | <u>\$20,219,246</u> | <u>\$19,384,290</u> |

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$11,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT – (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

| <u>Contributions to PEP</u> | |
|------------------------------------|----------|
| 2006 | \$11,005 |
| 2007 | \$11,190 |
| 2008 | \$9,289 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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*

TEMS Joint Ambulance District
Jefferson County
P.O. Box 307
Toronto, Ohio 43964-0307

To the District Board of Trustees:

We have audited the financial statements of the TEMS Joint Ambulance District, Jefferson County, (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 1, 2009, 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 finding 2008-005 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding 2008-005 is also a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated October 1, 2009.

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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-001, 2008-002, 2008-003 and 2008-004.

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 October 1, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

October 1, 2009

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Finding for Recovery

The TEMS Joint Ambulance District Board of Directors approved a salary of \$36,000, an increase of \$3,000, for Chief Director of Operations Clark Crago on June 18, 2007. This increase was made retroactive to January 1, 2007. An annual increase of \$3,000 is equal to an additional \$115.39 to be paid on each of the 26 pay dates in 2007 and an additional \$1.44 for each overtime hour worked. The following overpayment occurred due to Mr. Crago's incorrect calculation for the increase from January 1 to June 18, 2007:

| | |
|---|-------------------|
| Regular Wage Increase (\$115.39 x 11 pays) | \$1,269.29 |
| Overtime Wage Increase (\$1.44/hr x 180.5 overtime hours) | <u>\$259.92</u> |
| Total Wage Increase to be Paid Retroactively | \$1,529.21 |
| Total Wage Increase Paid Retroactively | <u>\$1,757.03</u> |
| Total Overpayment | <u>\$ 227.82</u> |

In accordance with the foregoing facts, and pursuant of Ohio Revised Code section 117.28, a finding for recovery for public money illegally expended is hereby issued against Clark Crago, Chief Director of Operations and his bonding company, the Public Entities Pool of Ohio, jointly and severally, in the amount of \$227.82, in favor of the General Fund of TEMS Joint Ambulance District.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen No. 80-074, Ohio Revised Code Section 9.38, *State ex. Rel. Village of Lindale v. Mastern* (1985), 18-Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.24.

Accordingly, Kathy Meadows, Fiscal Officer, and her bonding company, the Public Entities Pool of Ohio, are jointly and severally liable in the amount of \$227.82 and in favor of the General Fund of TEMS Joint Ambulance District.

Ms. Meadows will only be liable to the extent that recovery is not obtained from Clark Crago.

Officials' Response

According to the minutes and a motion passed by the Board of Trustees in June 2007, the base salary of the Chief/Director of Operations was increased to \$36,000 annually for 2007, retroactive to January 1, 2007. The overtime rate would also increase by \$1.44 per hour. The amount of the retroactive increase, including overtime, received was \$1,755.93 and should have been \$1,644.48, an overpayment of \$111.45 rather than \$227.82.

Auditor of State's Analysis

The auditors are in agreement with amount of the salary increase and the hourly rate of the overtime increase. However, we disagree with the calculation. The annual increase was \$3,000 or \$115.39 per pay. The retroactive amount due was for 11 pay periods (\$1,269.29) plus overtime (\$259.92), which equals \$1,528.11. The lump sum payment for the retroactive increase was \$1,755.93, an overpayment of \$227.82.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision 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.

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 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 District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.
- 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. Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation 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 may be outstanding a particular time for any line item appropriation.

The District did not certify the amount against the applicable appropriation accounts for 100% of tested expenditures during 2008 and 2007. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and in negative cash 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, the Fiscal Officer should 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.

**FINDING NUMBER 2008-002
(Continued)**

The District should certify purchase to which section Ohio Revised Code Section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5704.41(D) requires for authorizing for disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of the Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code in the system, the reduce the available appropriation.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall 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. In addition, **Ohio Revised Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

The Fiscal Officer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor for 2007. Failure to file the certificate could result in appropriations exceeding the amounts of available resources. In both 2008 and 2007, District appropriations exceeded the amount certified available by \$219,681 and \$567,625, respectively.

The Fiscal Officer should file the certificate with the county auditor for each year on a timely basis. Furthermore, the Fiscal Officer should consistently compare actual revenue to estimated revenue and obtain the amended certificates as necessary.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

District expenditures exceeded appropriations by \$47,641 (8%) in 2007 and by \$158,378 (27%) in 2008.

The failure to limit expenditures plus encumbrances to the amount appropriated by the District could result in overspending and negative cash balances. Expenditures should be limited to appropriations.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. If the Fiscal Officer determines that expenditure needs exceed current appropriation authority and if resources are available, the Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2008-005

Material Weakness

Posting Receipts & Disbursements

The Fiscal Officer did not correctly code and classify receipts and disbursements in 2007 and 2008, resulting in adjustments and reclassifications to the financial statements. The Ambulance District has agreed to the adjustments and reclassifications and has posted the adjustments to the District's accounting records. The corrected amounts are reflected in the accompanying financial statements.

| Year/Fund Name | Account Type | Amount | Description |
|-------------------------|----------------------------|--------------------|---|
| 2007 | | | |
| Adjustment | | | |
| General Fund | Earnings on Investments | \$269 | To record interest that had not posted |
| Reclassification | | | |
| General Fund | Debt Principal Interest | \$144,088 5,096 | To reclassify debt payments and interest expenditures which were posted as other uses |
| 2008 | | | |
| Adjustment | | | |
| General Fund | Cash Interest Revenue | \$70,965 49 | To correct errors made when posting all resources of former individual departments when they became part of the joint district. |
| Reclassification | | | |
| General Fund | Intergovernmental Revenue | \$56,582 | To correct Intergovernmental Revenue which had been incorrectly posted as local taxes. |
| General Fund | Sale of Notes | \$80,000 | To correct loan proceeds which were incorrectly posted as Miscellaneous Revenue |

Failure to consistently follow a uniform chart of accounts increases the possibility the District will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Fiscal Officer should maintain the accounting system to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The District should adopt procedures for the review of transactions posted to the ledgers.

Officials' Response

We did not receive a response from officials to findings number 2008-002 through 2008-005.

**TEMS JOINT AMBULANCE DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|---|-------------------------|--|
| 2006-001 | Ohio Revised Code Section 5705.41(D). The District did not certify expenditures. | No | Re-issued as 2008-002 |
| 2006-002 | Ohio Revised Code Section 5705.36. The District did not file a certificate of resources. | No | Re-issued as 2008-003 |
| 2006-003 | Ohio Revised Code Sections 5705.38 and 5705.41(B). The District did not adopt appropriations; therefore, all expenditures were not in compliance. | Partially | Section 5705.41(B) was re-issued as 2008-004 |
| 2006-004 | The District failed to correctly classify revenue. | No | Re-issued again as 2008-005 |



Mary Taylor, CPA
Auditor of State

TEMS JOINT AMBULANCE DISTRICT

JEFFERSON 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 15, 2009**