

Sterling Joint Ambulance District  
Madison County  
Regular Audit  
For the Years Ended December 31, 2013 and 2012



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# Dave Yost • Auditor of State

Board of Trustees  
Sterling Joint Ambulance District  
5650 Dyer Road  
Mount Sterling, Ohio 43143

We have reviewed the *Independent Auditor's Report* of the Sterling Joint Ambulance District, Madison County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sterling Joint Ambulance District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 14, 2014

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**Sterling Joint Ambulance District**  
**Madison County**  
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*For the Years Ended December 31, 2013 and 2012*

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**Independent Auditor's Report**

Joint Ambulance District Board  
Sterling Joint Ambulance District  
5650 Dyer Road  
Mount Sterling, Ohio 43143

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Sterling Joint Ambulance District, Madison County, (the District) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Sterling Joint Ambulance District, Madison County, as of December 31, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 27, 2014

**Sterling Joint Ambulance District**  
**Madison County**  
*Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*For the Years Ended December 31, 2013 and 2012*

	2013	2012
Cash Receipts:		
Property and Other Local Taxes	\$919,165	\$417,407
Charges for Services	403,735	158,800
Intergovernmental	183,559	112,806
Earnings on Investments	72	35
Miscellaneous	2,679	210
	1,509,210	689,258
Total Cash Receipts		
Cash Disbursements:		
Current Disbursements:		
General Government	285,327	274,700
Public Safety	601,269	644,871
Debt:		
Redemption of Principal	261,404	19,208
Interest	6,672	2,588
Capital Outlay	3,870	0
	1,158,542	941,367
Total Cash Disbursements		
Excess of Cash Receipts Over (Under) Cash Disbursements	350,668	(252,109)
Other Financing Sources:		
Proceeds from Debt	0	200,000
Other	0	317
	0	200,317
Total Other Financing Receipts		
Net Change in Fund Cash Balance	350,668	(51,792)
Fund Cash Balance, January 1	184,241	236,033
Fund Cash Balance, December 31:		
Unassigned	534,909	184,241
Fund Cash Balance, December 31	\$534,909	\$184,241

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



**Sterling Joint Ambulance District**  
**Madison County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 - Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Sterling Joint Ambulance District, Madison County, Ohio (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Stokes Township, Range Township, Village of Midway, Pleasant Township, Village of Mount Sterling (all of which are in Madison County), and Darby Township and Monroe Township (which are in Pickaway County). The District provides ambulance 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.

**Basis of Accounting**

This financial statement follows 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).

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**Cash**

The District maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**Fund Accounting**

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following type:

*General Fund* – The General Fund reports all financial resources except those required to be accounted for in another fund.

**Budgetary Process**

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

*Appropriations*

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

*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.

**Sterling Joint Ambulance District**  
**Madison County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

*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 re-appropriated in the subsequent year

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its resources in governmental funds. The classifications are as follows:

*Nonspendable* – The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

*Restricted* – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

*Committed* – The District Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the District Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the District Board or a District official delegated that authority by resolution, or by State statute.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**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.

**Sterling Joint Ambulance District**  
**Madison County**  
*Notes to the Financial Statements*  
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**Note 2 – Equity in Pooled Cash**

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

	2013	2012
Demand Deposits	\$534,909	\$184,241

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,324,970	\$1,509,210	\$184,240

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,158,542	\$1,158,542	\$0

Budgetary activity for the year ending December 31, 2012 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$889,574	\$889,575	\$1

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,367	\$941,367	\$0

**Note 4 – Property Taxes**

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.

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

**Note 5 – Debt**

The District took out a commercial loan in March 2011, in the amount of \$100,000 for the purchase of a new ambulance. This loan carried an interest rate of 3.21% and a maturity date of December 2, 2015. This loan was paid in full in November 2013.

**Sterling Joint Ambulance District**  
**Madison County**  
*Notes to the Financial Statements*  
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**Note 5 – Debt (Continued)**

The District took out a commercial loan in December 2012, in the amount of \$200,000 for operating expenses. This loan carried an interest rate of 3.53% and a maturity date of December 12, 2013. This loan was paid in full in September 2013.

**Note 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 plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

**Note 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**Sterling Joint Ambulance District**  
**Madison County**  
*Notes to the Financial Statements*  
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**Note 7 - Risk Management (Continued)**

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the District's share of these unpaid claims collectible in future years is approximately \$10,000.

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.

Contributions to PEP		
2013	2012	2011
\$11,122	\$8,817	\$8,247

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

**Note 8 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The District is not currently party to any lawsuits.

**Note 9 – Compliance**

The District did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Sterling Joint Ambulance District  
5650 Dyer Road  
Mount Sterling, Ohio 43143

We have audited 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, the financial statements of the Sterling Joint Ambulance District, Madison County, (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2014, wherein we noted the District followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2013-1, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-2.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 27, 2014

**Sterling Joint Ambulance District****Madison County**  
**Madison County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**FINDING NUMBER 2013-1**

**Significant Deficiency – Financial Reporting**

A monitoring system by the District should be in place to prevent or detect misstatements for the accurate presentation of the District's financial statements. The District misclassified various transactions by line item in 2012 and 2013. Instances were also noted where the ledgers did not match the unaudited financial statements. Furthermore, the District did not have a line item to account for principal and interest in their appropriation ledger. Failure to properly record and classify transactions may result in misclassified or misstated financial statements. The accompanying financial statements have been adjusted as appropriate to correct errors identified during our audit. The District should implement the appropriate monitoring procedures to ensure that financial transactions are properly recorded and presented within the annual reports.

***Client Response:***

Client chose not to respond.

**FINDING NUMBER 2013-2**

**Noncompliance – Prior Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Instances were noted where commitments were made prior to encumbering funds. We also noted instances where vendor invoices were not dated, making it difficult to test whether those respective payments were properly encumbered. Failure to properly encumber funds may result in unauthorized spending or overspending of funds. The District should implement the appropriate procedures to ensure that funds are properly encumbered prior to commitment.

***Client Response:***

Client chose not to respond.





# Dave Yost • Auditor of State

**STERLING JOINT AMBULANCE DISTRICT**

**MADISON 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 26, 2014**