



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

South Central Ambulance District
Ashtabula County
3100 U.S. Highway 6
Rome, Ohio 44085

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the South Central Ambulance District, Ashtabula County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016.

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 such 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 opinions.

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www.ohioauditor.gov

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective 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 balances, receipts and disbursements by fund type, and related notes of the South Central Ambulance District, Ashtabula County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 9, 2019

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

*Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
Governmental Fund Type
For the Year Ended December 31, 2017*

	General
Cash Receipts:	
Property and Other Local Taxes	\$545,328
Charges for Services	296,931
Intergovernmental	139,836
Earnings on Investments	1,231
Miscellaneous	31,455
	<u>1,014,781</u>
<i>Total Cash Receipts</i>	<i>1,014,781</i>
Cash Disbursements:	
Security of Persons and Property:	
Salaries	581,964
Fringe Benefits	258,904
Materials and Supplies	28,537
Equipment	82,948
Other	69,904
	<u>1,022,257</u>
<i>Total Cash Disbursements</i>	<i>1,022,257</i>
<i>Net Change in Fund Cash Balance</i>	<i>(7,476)</i>
<i>Fund Cash Balances, January 1</i>	<i>\$736,779</i>
	<u>\$736,779</u>
Fund Cash Balances, December 31	
Committed	342
Assigned	77,000
Unassigned (Deficit)	651,961
	<u>651,961</u>
<i>Fund Cash Balances, December 31</i>	<i>\$729,303</i>
	<u>\$729,303</u>

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

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

*Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis) -
Fiduciary Fund Type
For the Year Ended December 31, 2017*

	<u>Agency Fund</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	251,797
Miscellaneous Receipts	13,252
Capital Outlay	(265,049)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>

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

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of South Central Ambulance District, Ashtabula County, (the District) as a body corporate and politic. An eleven- member Board of Directors governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Rock Creek Village, Morgan Township, Roaming Shores Village, Lenox Township, Dorset Township, New Lyme Township, Hartsgrove Township, Rome Township, Colebrook Township, Orwell Village and Orwell Township. The District provides an Ambulance service within the District and by contract to areas outside the District.

The District participates in public entity risk pools. Note 6 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pools:
Public Entities Pool of Ohio (PEP) and
The Ohio Public Entity Consortium Healthcare Cooperative

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs. The District has no Trust funds

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by the individual, organization or other government. The District's agency fund accounts for distribution of communication grant funds on behalf of member fire departments as the fiscal agent for the grant.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 fund, function level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

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.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do 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.

Fund Balance

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 governmental-fund resources. The classifications are as follows:

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 - Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend 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 District Trustees 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,793	\$1,014,781	\$304,988

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$974,842	\$1,022,257	(\$47,415)

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	<u>\$529,303</u>
Stock Mutual Funds and Electronically Traded Funds at cost (fair value was \$227,426 at December 31, 2017)	<u>200,000</u>
Total deposits and investments	<u><u>\$729,303</u></u>

The District held \$227,426 in equity securities. Equity securities are not eligible investments for the District under Ohio law. See Finding 2017-001.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

Note 5 – Taxes

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 6 – 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 Insurance Services Group, Inc. (York) 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government'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.

<u>2017 Contributions to PEP</u> \$ 15,383

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.

Ohio Public Entity Consortium – Healthcare Cooperative

The District provides a limited medical, surgical, and prescription drug program for its full time employees through a public entity shared risk pool. The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) contracts with the Jefferson Health Plan (JHP), formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), for claims servicing. Contributions are paid by the Township to OPEC-HC. JHP contracts with Third Part Administrators to service the claims of OPEC-HC members. OPEC-HC covers claims up to \$150,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$150,000 and \$1,500,000. The Township also has a stop loss insurance policy through JHP, which covers individual claims in excess of \$1,500,000 per employee per year for medical claims.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

OPEC-HC is a public entity shared risk pool. OPEC-HC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. OPEC-HC contracts with the JHP (formerly OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 157 members. OPEC-HC's business and affairs are conducted by a 5 member Board of Directors elected from the assembly. OPEC-HC offers medical and prescription drug coverage to the members.

The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) is a joint self-insurance cooperative as provided for in O.R.C. 9.833. It allows entities to come together to procure benefits and enjoy the advantages of cooperative purchasing. No entities claims are allocated individually, but rather risk and reward is spread across entire cooperative.

All OPEC-HC participants pay a monthly administration fee for fiscal services and third party administrative services.

OPEC-HC underwriting is through Burns Consulting and Findley Davies does the Actuary work, Gilmore, Jasion & Mahler does plan auditing. Claims are backed by Jefferson and also Sun Life, the re-insurance carrier.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Subsequent Events

The governing board of the Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) has announced that the OPEC-HC self-insurance cooperative agreement will expire on January 1, 2018, and that OPEC-HC will become non-operational as of that date. The amount of the run-out claims payable for the District for the period January 1, 2018 through June 30, 2018 was \$17,050 payable to New Asset Management, 37 West Bridge Street, Dublin, Ohio 43017.

Employee group medical insurance coverage is being provided to employees under a contract with Waypoint Benefits Solutions, 4230 Tuller Rd #200, Dublin, OH 43017.

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

*Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
Governmental Fund Type
For the Year Ended December 31, 2016*

	<u>General</u>
Cash Receipts:	
Property and Other Local Taxes	\$508,217
Charges for Services	325,374
Intergovernmental	116,116
Earnings on Investments	1,204
Miscellaneous	29,995
	<hr/>
<i>Total Cash Receipts</i>	980,906
	<hr/>
Cash Disbursements:	
Security of Persons and Property:	
Salaries	578,715
Fringe Benefits	254,490
Materials and Supplies	25,791
Equipment	235,401
Other	80,349
	<hr/>
<i>Total Cash Disbursements</i>	1,174,746
	<hr/>
<i>Net Change in Fund Cash Balance</i>	(193,840)
<i>Fund Cash Balances, January 1 - restated (see Note 4)</i>	930,619
	<hr/>
Fund Cash Balances, December 31	
Committed	342
Assigned	53,500
Unassigned (Deficit)	682,937
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$736,779
	<hr/> <hr/>

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

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South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of South Central Ambulance District, Ashtabula County, (the District) as a body corporate and politic. An eleven- member Board of Directors governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Rock Creek Village, Morgan Township, Roaming Shores Village, Lenox Township, Dorset Township, New Lyme Township, Hartsgrove Township, Rome Township, Colebrook Township, Orwell Village and Orwell Township. The District provides an Ambulance service within the District and by contract to areas outside the District.

The District participates in public entity risk pools. Note 6 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pools:
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The Ohio Public Entity Consortium Healthcare Cooperative

The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 fund, function level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

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.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do 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.

Fund Balance

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 governmental-fund resources. 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 - Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend 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.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 District Trustees 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$963,842	\$980,906	\$17,064

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,274,188	\$1,174,746	\$99,442

Note 4 – Deposits and Investments

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

Demand deposits	2016 \$536,779
Stock Mutual Funds and Electronically Traded Funds at cost (fair value was \$213,154 at December 31, 2017)	200,000
Total deposits and investments	\$736,779

The District held \$213,154 in equity securities. Equity securities are not eligible investments for the District under Ohio law. See Finding 2017-001. The January 1, 2016 fund balance was restated to remove unrealized gains. Also, interest earnings posted directly to fund balance were removed from fund balances and posted as Investment revenue. These adjustments reduced the January 1, 2016 fund balance by \$15,322.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

Note 5 – Taxes

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 6 – 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 Insurance Services Group, Inc. (York) 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<u>2016 Contributions to PEP</u> \$ 15,388
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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.

Ohio Public Entity Consortium – Healthcare Cooperative

The District provides a limited medical, surgical, and prescription drug program for its full time employees through a public entity shared risk pool. The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) contracts with the Jefferson Health Plan (JHP), formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), for claims servicing. Contributions are paid by the District to OPEC-HC. JHP contracts with Third Part Administrators to service the claims of OPEC-HC members. OPEC-HC covers claims up to \$150,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$150,000 and \$1,500,000. The District also has a stop loss insurance policy through JHP, which covers individual claims in excess of \$1,500,000 per employee per year for medical claims.

OPEC-HC is a public entity shared risk pool. OPEC-HC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. OPEC-HC contracts with the JHP (formerly OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 157 members. OPEC-HC's business and affairs are conducted by a 5 member Board of Directors elected from the assembly. OPEC-HC offers medical and prescription drug coverage to the members.

The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) is a joint self-insurance cooperative as provided for in O.R.C. 9.833. It allows entities to come together to procure benefits and enjoy the advantages of cooperative purchasing. No entities claims are allocated individually, but rather risk and reward is spread across entire cooperative.

South Central Ambulance District
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

All OPEC-HC participants pay a monthly administration fee for fiscal services and third party administrative services.

OPEC-HC underwriting is through Burns Consulting and Findley Davies does the Actuary work, Gilmore, Jasion & Mahler does plan auditing. Claims are backed by Jefferson and also Sun Life, the re-insurance carrier.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

South Central Ambulance District
Ashtabula County
3100 U.S. Highway 6
Rome, Ohio 44085

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the South Central Ambulance District, Ashtabula County, (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 9, 2019 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weakness. We consider findings 2017-001 and 2017-002 to be a material weaknesses.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297
www.ohioauditor.gov

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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 9, 2019

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. Ineligible Investments

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 135.14(B) provides that the treasurer or governing board may invest or deposit any part or all of the interim moneys. The following classifications of obligations shall be eligible for such investment or deposit:

(1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

Nothing in the classification of eligible obligations set forth in division (B)(1) of this section or in the classifications of eligible obligations set forth in divisions (B)(2) to (7) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations.

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, and government national mortgage association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

(3) Interim deposits in the eligible institutions applying for interim moneys as provided in section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with section 135.09 of the Revised Code and the treasurer or the governing board shall determine the periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made, decline to accept the interim deposit in which event the award shall be made as though the institution had not applied for such interim deposit.

Ohio Rev. Code § 135.14(C) provides that nothing in the classifications of eligible obligations set forth in divisions (B)(1) to (7) of this section shall be construed to authorize any investment in a derivative, and no treasurer or governing board shall invest in a derivative. For purposes of this division, "derivative" means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Any security, obligation, trust account, or other instrument that is created from an issue of the United States treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An eligible investment described in this section with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (B)(1) or (2) of this section, is not a derivative, provided that such variable rate investment has a maximum maturity of two years.

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

Ohio Rev. Code § 135.14(O)(1) provides that except as otherwise provided in divisions (O)(2) and (3) of this section, no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the auditor of state a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision. All brokers, dealers, and financial institutions, described in division (M)(1) of this section, initiating transactions with the treasurer or governing board by giving advice or making investment recommendations shall sign the treasurer's or governing board's investment policy thereby acknowledging their agreement to abide by the policy's contents. All brokers, dealers, and financial institutions, described in division (M)(1) of this section, executing transactions initiated by the treasurer or governing board, having read the policy's contents, shall sign the investment policy thereby acknowledging their comprehension and receipt.

Ohio Rev. Code § 135.14(O)(2) provides that if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the auditor of state, the treasurer or governing board of that subdivision shall invest the subdivision's interim moneys only in interim deposits pursuant to division (B)(3) of this section or interim deposits pursuant to section 135.145 of the Revised Code and approved by the treasurer of state, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision's fund pursuant to division (B)(6) of this section.

As of December 31, 2017, the District held \$227,425 in the three Electronically Traded Funds (ETF) which is not permitted by Ohio Rev. Code § 135.14(B) because the funds contained common stock and/or corporate bonds which are not an eligible investment for the public funds held by the District. Further, ETF's are separate from the financial instrument, contract, or obligation itself and thus not allowable pursuant to Ohio Rev. Code § 135.14(C).

Additionally, the District had not adopted an investment policy as is required by Ohio Rev. Code § 135.14(O), and, without such policy, the District investments are limited to deposits pursuant to Ohio Rev. Code § 135.14(B)(3); such as, STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6); and no-load money market mutual funds pursuant to Ohio Rev. Code § 135.14(B)(5)

Investments in unauthorized investment types can lead to a loss of public funds.

The District must divest itself of the Electronically Traded Funds held as investments. In order to invest in eligible investment types the District must first adopt an investment policy and file such policy with the Auditor of State.

Official's Response: The District has sold the improper investments, approved new statutorily-approved investment instruments, and adopted an investment policy.

**SOUTH CENTRAL AMBULANCE DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(CONTINUED)**

2. Financial Reporting

<i>Finding Number</i>	2017-002
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following error was noted and corrected in the accounting records and financial statements by management:

In 2017 the District was the Fiscal Agent for a communications grant for itself and other government's fire departments within the District. However, the District reported all the grant receipts and disbursements as part of its General Fund financial activity instead of reporting the other entities grant activity separately in an Agency Fund. By doing so the District overstated 2017 revenue and expenditures of its General Fund by \$265,049.

The failure to accurately record revenues and expenditures to the proper funds can result in misstatements of the financial statements. The lack of accurate record keeping may also prevent the District from receiving and depositing funds collected or due or expending money that is not available, appropriated or otherwise restricted all of which could result in potential misstatement of financial statement amounts.

When acting as a fiscal agent for other entities the District should report that financial activity in an Agency Fund.

Official's Response: For all future projects/grants for which the District acts as fiscal agent for other entities, the activity will be recorded in an Agency Fund.

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OHIO AUDITOR OF STATE
KEITH FABER



SOUTH CENTRAL AMBULANCE DISTRICT

ASHTABULA 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
APRIL 23, 2019**