



**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005-2004**



**Auditor of State  
Betty Montgomery**



**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

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**Auditor of State  
Betty Montgomery**

Sterling Joint Ambulance District  
Madison County  
5650 Dyer Road  
Mount Sterling, Ohio 43143

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 30, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Sterling Joint Ambulance District  
Madison County  
5650 Dyer Road  
Mount Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statements of the Sterling Joint Ambulance District, Madison County, Ohio, (the District) as of and for the years ended December 31, 2005 and 2004. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, 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.

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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, 2005 and 2004 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, 2005 and 2004, 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 cash balances of Sterling Joint Ambulance District, Madison County, Ohio, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 June 30, 2006, 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.



**Betty Montgomery**  
Auditor of State

June 30, 2006



**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

|  | <b>2005</b>      | <b>2004</b>      |
|--|------------------|------------------|
| <b>Cash Receipts:</b>  |                  |                  |
| Taxes  | \$312,480        | \$309,328        |
| Intergovernmental  | 51,729           | 68,902           |
| License, Permits, and Fees   | 250              | 1,611            |
| Charges for Services   | 215,724          | 211,290          |
| Earnings on Investments  | 1,850            | 1,351            |
| Miscellaneous  | 1,710            | 2,471            |
| Total Cash Receipts  | 583,743          | 594,953          |
| <b>Cash Disbursements:</b>   |                  |                  |
| Current:   |                  |                  |
| Security of Persons and Property   | 320,434          | 318,044          |
| General Government   | 157,777          | 146,724          |
| Debt:  |                  |                  |
| Redemption of Principal  | 7,872            | 107,969          |
| Interest   | 3,904            | 10,307           |
| Capital Outlay   | 12,039           | 114,200          |
| Total Cash Disbursements   | 502,026          | 697,244          |
| Total Cash Receipts Over/(Under) Cash Disbursements                                  | 81,717           | (102,291)        |
| <b>Other Financing Receipts:</b>   |                  |                  |
| Sale of Fixed Assets   | 0                | 5,500            |
| Other Financing Sources  | 2,704            | 18,329           |
| Total Other Financing Receipts   | 2,704            | 23,829           |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | 84,421           | (78,462)         |
| Cash Balance, January 1  | 341,124          | 419,586          |
| <b>Cash Balance, December 31</b>   | <b>\$425,545</b> | <b>\$341,124</b> |

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

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**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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 Sterling Joint Ambulance District, Madison County, (the District) as a body corporate and politic. An eight-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Stokes Township, Village of South Solon, Range Township, Village of Midway, Pleasant Township, Village of Mount Sterling (all of which are in Madison County), 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.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The accounting basis includes investments as assets. Accordingly, investment purchases are not recorded as disbursements, and investment sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The accounting basis values certificates of deposit at cost.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget annually.

**1. Appropriations**

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

**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2005 and 2004 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. EQUITY IN POOLED CASH AND INVESTMENTS**

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

|                         | <u>2005</u>      | <u>2004</u>      |
|-------------------------|------------------|------------------|
| Demand deposits         | \$380,545        | \$296,124        |
| Certificates of deposit | 45,000           | 45,000           |
| Total deposits          | <u>\$425,545</u> | <u>\$341,124</u> |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

| 2005 Budgeted vs. Actual Receipts |                    |          |
|-----------------------------------|--------------------|----------|
| Budgeted<br>Receipts              | Actual<br>Receipts | Variance |
| \$536,165                         | \$586,447          | \$50,282 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures |                           |           |
|---|---------------------------|-----------|
| Appropriation<br>Authority                            | Budgetary<br>Expenditures | Variance  |
| \$719,000   | \$502,026                 | \$216,974 |

| 2004 Budgeted vs. Actual Receipts |                    |          |
|-----------------------------------|--------------------|----------|
| Budgeted<br>Receipts              | Actual<br>Receipts | Variance |
| \$539,204                         | \$618,782          | \$79,578 |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures |                           |           |
|---|---------------------------|-----------|
| Appropriation<br>Authority                            | Budgetary<br>Expenditures | Variance  |
| \$800,000   | \$697,244                 | \$102,756 |

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State then pays the District amounts equaling the homestead and rollback deductions. 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 owners assess that property. The property owners must file a tangible property list 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 District.

**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

|                 | Principal | Interest Rate |
|-----------------|-----------|---------------|
| Commercial Loan | 68,241    | 5.25%         |

The District issued Mortgage Revenue Notes in 1997, in the amount of \$210,000 for the purchase of property. The District retired the principal balance of the Mortgage Revenue Note in the amount of \$97,972 during 2004.

The District took out a commercial loan in July 2002, in the amount of \$89,604 for the purchase of a new ambulance.

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

| Year ending December 31: | Commercial Loan |
|--------------------------|-----------------|
| 2006                     | \$11,776        |
| 2007                     | 11,776          |
| 2008                     | 11,776          |
| 2009                     | 11,776          |
| 2010                     | 11,776          |
| 2011 – 2012              | 23,552          |
| Total                    | \$82,432        |

**6. RETIREMENT SYSTEM**

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OPERS contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries.

**7. RISK POOL MEMBERSHIP**

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.

**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation, through contracts with PEP.

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.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 local government.

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

Members may withdraw on each anniversary of the date they joined PEP. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**STERLING JOINT AMBULANCE DISTRICT  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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 2005 and 2004:

| <u>Casualty Coverage</u> | <u>2005</u>         | <u>2004</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$29,719,675        | \$27,437,169        |
| Liabilities              | (15,994,168)        | (13,880,038)        |
| Retained earnings        | <u>\$13,725,507</u> | <u>\$13,557,131</u> |

| <u>Property Coverage</u> | <u>2005</u>        | <u>2004</u>        |
|--------------------------|--------------------|--------------------|
| Assets                   | \$4,443,332        | \$3,648,272        |
| Liabilities              | (1,068,245)        | (540,073)          |
| Retained earnings        | <u>\$3,375,087</u> | <u>\$3,108,199</u> |

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$18,438.





**Auditor of State  
Betty Montgomery**

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

Sterling Joint Ambulance District  
Madison County  
5650 Dyer Road  
Mount Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statements of the Sterling Joint Ambulance District, Madison County, Ohio, (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 30, 2006, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated June 30, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

**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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated June 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Sterling Joint Ambulance District  
Madison County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2006



**Auditor of State  
Betty Montgomery**

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**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 29, 2006**