



**Auditor of State
Betty Montgomery**

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Henry County/Napoleon City
Combined General Health District
Henry County
104 E. Washington Street, Suite 302
Napoleon, Ohio 43545-1660

To Members of the Board:

We have audited the accompanying financial statements of Henry County/Napoleon City Combined General Health District (the District) as of and for the year ended December 31, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Henry County/Napoleon City Combined General Health District as of December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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Combined General Health District
Henry County
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In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 10, 2004

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$ 567,002		\$ 567,002
Intergovernmental	233,539	\$ 256,450	489,989
Inspection fees	108,698	176,470	285,168
Permits and licenses	103,602		103,602
Medicare/Medicaid reimbursements		610,486	610,486
Other receipts	38,914	27,134	66,048
Total Cash Receipts	<u>1,051,755</u>	<u>1,070,540</u>	<u>2,122,295</u>
Cash Disbursements:			
Salaries	353,148	446,470	799,618
Supplies	33,845	56,355	90,200
Equipment	25,337	57,233	82,570
Life insurance	526		526
Contracts - Services	103,403	111,149	214,552
Rentals	108,307	12,913	121,220
Travel	12,395	14,961	27,356
Medicare tax	4,764	6,130	10,894
Advertising and printing	6,140	5,078	11,218
Public employee's retirement	53,763	68,135	121,898
Worker's compensation	2,869	3,360	6,229
Other	129,778	191,538	321,316
Total Cash Disbursements	<u>834,275</u>	<u>973,322</u>	<u>1,807,597</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>217,480</u>	<u>97,218</u>	<u>314,698</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	16,444	20,000	36,444
Transfers-Out	(20,000)	(16,444)	(36,444)
Refunds	26,566		26,566
Other sources	10,732		10,732
Other uses	(14,342)		(14,342)
Total Other Financing Receipts/(Disbursements)	<u>19,400</u>	<u>3,556</u>	<u>22,956</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>236,880</u>	<u>100,774</u>	<u>337,654</u>
Fund Cash Balances, January 1	<u>254,408</u>	<u>706,062</u>	<u>960,470</u>
Fund Cash Balances, December 31	<u><u>\$ 491,288</u></u>	<u><u>\$ 806,836</u></u>	<u><u>\$ 1,298,124</u></u>
Reserves for Encumbrances, December 31	<u><u>\$ 2,244</u></u>	<u><u>\$ 2,653</u></u>	<u><u>\$ 4,897</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Henry County/Napoleon City Combined General Health District (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a seven-member Board and a Health Commissioner. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Agency Fund - This fund receives Medicare/Medicaid Reimbursements and provides home nursing services.

Hospice Fund - This fund receives Medicare/Medicaid Reimbursements and provides home nursing services for the terminally ill.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried forward, and need not be reappropriated.

A summary of 2003 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 944,200	\$ 1,105,497	\$ 161,297
Special Revenue	1,085,630	1,090,540	4,910
Total	<u>\$ 2,029,830</u>	<u>\$ 2,196,037</u>	<u>\$ 166,207</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 951,500	\$ 870,861	\$ 80,639
Special Revenue	1,203,630	992,419	211,211
Total	<u>\$ 2,155,130</u>	<u>\$ 1,863,280</u>	<u>\$ 291,850</u>

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

(Continued)

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in intergovernmental receipts in the financial statements.

4. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, 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 through December 31, 2003. The District has paid all contributions required through December 31, 2003.

5. RISK MANAGEMENT

Risk Pool Membership

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 claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

HENRY COUNTY / NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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:

<u>Casualty Coverage</u>	<u>2003</u>
Assets	\$ 25,288,098
Liabilities	<u>(12,872,985)</u>
Retained Earnings	<u>\$ 12,415,113</u>

<u>Property Coverage</u>	<u>2003</u>
Assets	\$ 3,158,813
Liabilities	<u>(792,061)</u>
Retained Earnings	<u>\$ 2,366,752</u>

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**Auditor of State
Betty Montgomery**

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

Henry County/Napoleon City
Combined General Health District
Henry County
104 E. Washington Street, Suite 302
Napoleon, Ohio 43545-1660

To Members of the Board:

We have audited the accompanying financial statements of Henry County/Napoleon City Combined General Health District (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 10, 2004. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

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Combined General Health District
Henry County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
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reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 10, 2004.

This report is intended solely for the information and use of the audit committee, management, and the Board and is not intended to be and should not be used by 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

August 10, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

HENRY COUNTY/NAPOLEON CITY COMBINED GENERAL HEALTH DISTRICT

HENRY 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
SEPTEMBER 7, 2004**