



**Auditor of State
Betty Montgomery**

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

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**Auditor of State
Betty Montgomery**

General Health District
Ashtabula County
12 West Jefferson Street
Jefferson, Ohio 44047

To Members of the Board:

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

October 18, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Ashtabula County
12 West Jefferson Street
Jefferson, Ohio 44047

To Members of the Board:

We have audited the accompanying financial statements of the General Health District, Ashtabula County, (the District) as of and for the years ended December 31, 2004 and 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 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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 2004, or its changes in financial position for the year then ended.

Also, 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 General Health District, Ashtabula County, as of December 31, 2004 and 2003, and its combined 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 year ended December 31, 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 October 18, 2005, 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

October 18, 2005

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards	\$0	\$259,635	\$259,635
Intergovernmental		13,520	13,520
Inspection fees		186,394	186,394
Permits	115,553	24,800	140,353
Subdivision Assessment	600,000		600,000
Licenses	204,458	70,000	274,458
Other receipts	97,332	26,661	123,993
Total Cash Receipts	<u>1,017,343</u>	<u>581,010</u>	<u>1,598,353</u>
Cash Disbursements:			
Salaries	451,255	181,090	632,345
Supplies	15,450	34,376	49,826
Remittances to State		85,879	85,879
Equipment	2,412		2,412
Contracts - Repair	4,378		4,378
Contracts - Services	63,125		63,125
Rentals	500		500
Travel	61,227		61,227
Advertising and printing	924		924
Public employee's retirement	99,284		99,284
Worker's compensation	24,638		24,638
Project Fund Expenditures		334,722	334,722
Other	148,457	1,190	149,647
Total Disbursements	<u>871,650</u>	<u>637,257</u>	<u>1,508,907</u>
Total Receipts Over/(Under) Disbursements	<u>145,693</u>	<u>(56,247)</u>	<u>89,446</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		25,000	25,000
Transfers-Out	(25,000)		(25,000)
Total Other Financing Receipts/(Disbursements)	<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>120,693</u>	<u>(31,247)</u>	<u>89,446</u>
Fund Cash Balances, January 1	<u>222,289</u>	<u>971,688</u>	<u>1,193,977</u>
Fund Cash Balances, December 31	<u>\$342,982</u>	<u>\$940,441</u>	<u>\$1,283,423</u>
Reserves for Encumbrances, December 31	<u>\$129,415</u>	<u>\$6,965</u>	<u>\$136,380</u>

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

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards	\$0	\$308,817	\$308,817
Intergovernmental		29,904	29,904
Inspection fees	88,607	71,360	159,967
Permits		136,281	136,281
Subdivision Assessment	590,000		590,000
Licenses	184,794	74,900	259,694
Other receipts	117,766	15,616	133,382
Total Cash Receipts	<u>981,167</u>	<u>636,878</u>	<u>1,618,045</u>
Cash Disbursements:			
Salaries	401,587	130,172	531,759
Supplies	16,216	28,764	44,980
Remittances to State		87,287	87,287
Equipment	16,793		16,793
Contracts - Repair	9,367		9,367
Contracts - Services	57,004	40,104	97,108
Rentals	300		300
Travel	61,227		61,227
Advertising and printing	300		300
Public employee's retirement	95,522		95,522
Worker's compensation	11,348		11,348
Project Fund Expenditures		325,715	325,715
Other	174,222	41	174,263
Total Disbursements	<u>843,886</u>	<u>612,083</u>	<u>1,455,969</u>
Total Receipts Over/(Under) Disbursements	<u>137,281</u>	<u>24,795</u>	<u>162,076</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		25,000	25,000
Transfers-Out	(25,000)		(25,000)
Total Other Financing Receipts/(Disbursements)	<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>112,281</u>	<u>49,795</u>	<u>162,076</u>
Fund Cash Balances, January 1	<u>110,008</u>	<u>921,893</u>	<u>1,031,901</u>
Fund Cash Balances, December 31	<u><u>\$222,289</u></u>	<u><u>\$971,688</u></u>	<u><u>\$1,193,977</u></u>
Reserves for Encumbrances, December 31	<u><u>\$112,592</u></u>	<u><u>\$15,498</u></u>	<u><u>\$128,090</u></u>

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

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3709.01, Revised Code, the General Health District, Ashtabula County (the District) consists of the County's 27 Townships, 7 Villages, and 1 City not incorporated as a City Health District within Ashtabula County. The chief executive officer of each constituent political subdivision serves on the District Advisory Council, which meets annually on the first Monday in March to appoint the members of the General Health District, Ashtabula County, or to fill any Board vacancies that may have occurred. The General Health District appoints a Health Commissioner to a term not to exceed 2 years. As chief executive officer, the Health Commissioner presides over the County Health Department and reports to the Board at its regular meeting on the first Wednesday of each month.

As a separate political entity, the General Health District operates autonomously from the government of Ashtabula County. However, the Revised Code charges the county auditor and county treasurer to serve in similar capacities for the District. Charged with maintaining the health and welfare of the General Health District, the General Health District is empowered to enforce the laws, rules and regulations as promulgated by the appropriate federal and state legislatures, departments, and agencies.

The General Health 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. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State's accounting basis requires.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, 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:

1. General Fund

The General Fund accounts for all financial resources except those restricted by law or contract.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds 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:

Solid Waste Fund – This fund receives license and permit fees. The General Health District retains \$2,500 of each license fee collected and transmits the remainder to the Director of the Ohio Environmental Protection Agency.

Child and Family Health Grant Fund – This fund receives Federal grant monies. The monies are used for the prevented care of children.

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board 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. The County Budget Commission must also approve estimated resources and amendments thereto.

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 2.

F. 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.

G. 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.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$979,400	\$1,017,343	\$37,943
Special Revenue	544,798	606,010	61,212
Total	\$1,524,198	\$1,623,353	\$99,155

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,175,092	\$1,026,065	\$149,027
Special Revenue	729,396	644,222	85,174
Total	\$1,904,488	\$1,670,287	\$234,201

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$917,300	\$981,167	\$63,867
Special Revenue	592,307	661,878	69,571
Total	\$1,509,607	\$1,643,045	\$133,438

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,027,308	\$981,478	\$45,830
Special Revenue	716,357	627,581	88,776
Total	\$1,743,665	\$1,609,059	\$134,606

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. The financial statements present these amounts as intergovernmental receipts.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. RETIREMENT SYSTEM

The General Health District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. 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 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The General Health District contributed an amount equal to 13.55%. The District has paid all contributions required through December 31, 2004.

5. RISK MANAGEMENT

Risk Pool Membership

The General Health District is a member of the Public Entity Pool (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance 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.

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 in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. 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 local government.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RISK MANAGEMENT (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, 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

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**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***

General Health District
Ashtabula County
12 West Jefferson Street
Jefferson, Ohio 44047

To the Members of the Board:

We have audited the financial statements of the General Health District, Ashtabula County, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 18, 2005, 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 October 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 October 18, 2005, we reported one matter related to noncompliance we deemed immaterial.

General Health District
Ashtabula 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 the management and the Board Members. 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

October 18, 2005



**Auditor of State
Betty Montgomery**

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GENERAL HEALTH 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
NOVEMBER 29, 2005**