



**Auditor of State  
Betty Montgomery**



**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

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**Auditor of State  
Betty Montgomery**

Lake County General Health District  
Lake County  
33 Mill Street  
Painesville, Ohio 44077

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

September 23, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lake County General Health District  
Lake County  
33 Mill Street  
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the accompanying financial statements of the Lake County General Health District, Lake County, Ohio, (the District) as of and for the year ended December 31, 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, 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 Lake County General Health District, Lake County, Ohio, as of December 31, 2004, 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 September 23, 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

September 23, 2005

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Subdivisions	\$1,736,170	\$0	\$1,736,170
Permits	388,131	24,165	412,296
Licenses	0	404,371	404,371
Fees	22,000	224,304	246,304
Contractual Services	0	544,556	544,556
Miscellaneous	74,195	155,326	229,521
Intergovernmental	48,321	1,767,408	1,815,729
Refunds and Reimbursements	12,946	5,859	18,805
County Subsidy	0	176,717	176,717
Employee Hospitalization Deductions	52,275	0	52,275
<b>Total Cash Receipts</b>	<u>2,334,038</u>	<u>3,302,706</u>	<u>5,636,744</u>
<b>Cash Disbursements:</b>			
Remittances to State	0	220,951	220,951
Salaries	1,368,742	1,740,149	3,108,891
Public Employee's Retirement	170,232	213,598	383,830
Worker's Compensation	25,360	29,099	54,459
Medicare	12,036	22,664	34,700
Equipment	25,072	49,181	74,253
Other expenses	538,419	1,087,541	1,625,960
Unemployment Compensation	3,264	411	3,675
<b>Total Disbursements</b>	<u>2,143,125</u>	<u>3,363,594</u>	<u>5,506,719</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>190,913</u>	<u>(60,888)</u>	<u>130,025</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Fixed Assets	108	0	108
Transfers-In	3,201	1,026,711	1,029,912
Transfers-Out	0	(1,029,912)	(1,029,912)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>3,309</u>	<u>(3,201)</u>	<u>108</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>194,222</u>	<u>(64,089)</u>	<u>130,133</u>
<b>Fund Cash Balances, January 1, 2004</b>	<u>829,262</u>	<u>907,339</u>	<u>1,736,601</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><b>\$1,023,484</b></u>	<u><b>\$843,250</b></u>	<u><b>\$1,866,734</b></u>
<b>Reserves for Encumbrances, December 31, 2004</b>	<u><b>\$400</b></u>	<u><b>\$1,649</b></u>	<u><b>\$2,049</b></u>

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

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**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 Lake County General Health District, Lake County, Ohio, (the District) as a body corporate and politic. The District provides public health services for the prevention or restriction of disease. In addition to the required programs, the District adopts regulations and provides programs to enable residents of the District to live in a healthy and environmentally safe community. The District is directed by an appointed fourteen member Board of Trustees and a Health Commissioner. With the exception of the City of Mentor, each contracting city has one Board representative. As a result of their population, the City of Mentor has two representatives. The General Health District (township and villages) have three representatives on the Board. 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 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 Lake County Auditor is the fiscal agent of the District. The District's cash is held and invested by the Lake County Treasurer who acts as custodian for the District's monies. 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:

**1. General Fund**

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

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Women, Infants, and Children (WIC) Fund - This is a Federal grant fund accounts for the Special Supplemental Nutrition Program.

Food Service Fund - This fund receives fees collected for the inspection and licensing of food service operations, food vending, mobile food service, and temporary food service.

Home Care Nursing Fund - This fund receives fees for providing home nursing services to elderly and homebound persons within the County.

Public Health Nursing Fund - This fund receives fees and non-federal grant dollars for providing public health nursing services.

**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.

**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 budgetary activity appears in Note 3.

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

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

**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.

**2. NONPROFIT CORPORATIONS**

On October 18, 1988, the District formed two nonprofit corporations in accordance with Chapter 1702 of the Ohio Revised Code which were recorded with the Secretary of State on October 19, 1988. On October 3, 2000, the District formed another nonprofit corporation in accordance with Chapter 1702 of the Ohio Revised Code which was recorded with the Secretary of State on October 6, 2000. The two corporations formed in 1988 are named the Lake County ATC and the Lake County Health District fund. The corporation formed in 2000 is named the HDIS Corporation. All three corporations shall be operated exclusively for charitable, educational and scientific purposes and each corporation shall be operated specifically for the following:

**Lake County ATC**

- A.** To establish, operate, maintain and support home health care programs and other health care programs to treat or prevent injury and disease and to provide care to the elderly without regard to sex, race, color or creed.
- B.** To develop, participate in and carry on activities related to rendering care to elderly, sick and injured and/or designed and carried on to promote the health of the general community.
- C.** To provide funds or to expend funds to further the treatment or prevention of injury and disease, including, without limitation, to promote and carry on scientific research related to care of the elderly, sick and injured and/or the promotion of health in the general community served by the Lake County General Health District.
- D.** To take and hold by bequest, devise, gift, purchase, or lease either absolutely or in trust, for any of its purposes, and property, real or personal, without limitation as to amount or value; to sell, convey and dispose of any such property and to invest and reinvest the principal of the corporation for any of the purposes herein before set forth.
- E.** To do all things necessary or appropriate in order to accommodate the foregoing purposes.

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**2. NONPROFIT CORPORATIONS (Continued)**

**Lake Health District Fund**

- A.** To receive and maintain a fund or funds and to apply the income and principle thereof for charitable, educational or scientific purposes within the United States of America; and more particularly, but without limiting the generality of the foregoing, to provide financial support to the District, its employees and programs, for the care of the sick, elderly, injured, and disabled, to further the treatment or prevention of injury or disease and to develop activities designed and carried on to promote health in the general community served by the District.
- B.** To take and hold by bequest, devise, gift, purchase, or lease either absolutely or in trust, for any of its purposes, any property, real or personal, without limitation as to the amount or value; to sell, convey and dispose of any such property and to invest and reinvest the principle of the corporation for any of the purposes herein before set forth.
- C.** To do all things necessary or appropriate in order to accommodate the foregoing purposes.

**HDIS Corporation**

- A.** To develop a data management system to be used by local health districts and similar agencies.
- B.** Solely for the above purposes, HDIS Corporation is empowered to take and hold by bequest, devise, gift, contribution, purchase, lease, or nay other form, either absolutely or in trust, any property, real or personal, tangible or intangible, without limitation as to amount or value; to sell, convey, use, apply and dispose of any such property and to invest and reinvest the income and principle thereof; to deal with and expend the income and principle of the HDIS Corporation; to make gifts or contributions to other entities or persons; and to exercise all other rights and powers conferred by the laws of the Sate of Ohio upon nonprofit corporations.
- C.** To do all things necessary or appropriate in order to accomplish the foregoing.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,676,013	\$2,337,347	(\$338,666)
Special Revenue	4,887,146	4,329,417	(557,729)
Total	\$7,563,159	\$6,666,764	(\$896,395)

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,496,805	\$2,143,525	\$1,353,280
Special Revenue	5,502,414	4,395,155	1,107,259
Total	\$8,999,219	\$6,538,680	\$2,460,539

**4. SUBDIVISION REVENUE**

The Cities, Villages, and Townships that receive services from the District contribute to the operations of the District. The County Auditor assesses each subdivision their share of the operating cost, which is calculated by the District, through property tax collections. When the County Auditor disburses property tax to the subdivision, the appropriate deduction is made on the subdivision settlement and transmitted to the District.

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

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.

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.

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(CONTINUED)**

**6. RISK MANAGEMENT (Continued)**

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.

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>

Financial Position (Continued)

<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>

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Project/Grant Number	CFDA Number	Receipts	Expenditures
<b>U.S. Department of Agriculture</b>				
<i>Passed Through the Ohio Department of Health</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	43-1-001-1-CL-04	10.557	\$352,374	\$515,687
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	43-1-001-1-CL-05	10.557	50,496	37,911
Total Department of Agriculture			402,870	553,598
<b>U.S. Department of Health &amp; Human Services</b>				
<i>Passed Through the Ohio Department of Health</i>				
Immunization Grants	43-1-001-2-AZ-04	93.268	33,174	32,573
Total Immunization Grants			33,174	32,573
Public Health Infrastructure	43-1-001-2-B1-04	93.283	201,223	234,964
Total Public Health Infrastructure			201,223	234,964
Preventative Health and Health Services Block Grant	43-1-001-2-ED-04	93.991	46,399	47,004
Total Preventative Health and Health Services Block Grant			46,399	47,004
HIV Prevention Activities: Health Department Based	263-440-5238-4	93.940	7,039	4,378
Total HIV Prevention Activities: Health Department Based			7,039	4,378
Maternal and Child Health Services Block Grant to the States	43-1-001-1-CG-04	93.994	34,991	60,601
Total Maternal and Child Health Services Block Grant to the States			34,991	60,601
<i>Passed Through Cuyahoga County of Ohio</i>				
HIV Emergency Relief Projects Grants	N/A	93.914	33,879	29,944
HIV Emergency Relief Projects Grants	N/A	93.914	5,421	5,285
Total HIV Emergency Relief Projects Grants			39,300	35,229
Total Department of Health & Human Services			362,126	414,749
<b>U.S. Department of Environmental Protection Agency</b>				
<i>Passed Through the Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support - FY 04	N/A	66.001	122,254	75,346
Air Pollution Control Program Support - FY 05	N/A	66.001	0	46,908
			122,254	122,254
Total Environment Protection Agency			122,254	122,254
<b>U.S. Department of Transportation</b>				
<i>Passed Through the Ohio Department of Public Safety</i>				
State and Community Highway Safety - FY 04	2004-SA-N/1	20.600	26,844	18,372
State and Community Highway Safety - FY 05	2005-SA-N/1	20.600	4,391	4,540
Total Department of Transportation			31,235	22,912
<b>U.S. Department of Education</b>				
<i>Passed Through the Ohio Department of Health</i>				
Special Education Grants for Infants and Families 2004	43-1-01-F-AN-392	84.181	56,532	56,532
Special Education Grants for Infants and Families 2005	43-1-01-F-AN-392	84.181	51,563	51,563
Total U.S. Department of Education			108,095	108,095
<b>Total Federal Assistance</b>			<b>\$1,026,580</b>	<b>\$1,221,608</b>

*This schedule is prepared on the cash basis of accounting.*

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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***

Lake County General Health District  
Lake County  
33 Mill Street  
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of the Lake County General Health District, Lake County, Ohio, (the District) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 23, 2005, wherein we noted that the District prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 in order 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 September 23, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated September 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

Lake County General Health District  
Lake 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 audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. 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

September 23, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lake County General Health District  
Lake County  
33 Mill Street  
Painesville, Ohio 44077

To the Board of Trustees:

#### Compliance

We have audited the compliance of the Lake County General Health District, Lake County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Lake County General Health District, Lake County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated September 23, 2005.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. 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

September 23, 2005

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Adverse: GAAP, Unqualified: Regulatory basis
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA # 10.557 – Special Supplement Nutrition Program for Woman, Infants and Children
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING 2004-001**

**Noncompliance Citation**

**Certification of Funds**

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2004  
(CONTINUED)**

**FINDING 2004-001 (Continued)**

**Certification of Funds (Continued)**

**1. “Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty-five percent (39 out of 60) of the non-payroll transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Senior Manager certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) required to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**LAKE COUNTY GENERAL HEALTH DISTRICT  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC 3709.28 Approval of Appropriation Modifications ORC 5705.41(D) Expenditures in Excess of Appropriations	No	Partially Corrected; All appropriation modifications were approved. Expenditures did exceed appropriations, but the variances were not material. District will receive a management letter comment regarding 5705.41(B)





**Auditor of State  
Betty Montgomery**

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**GENERAL HEALTH DISTRICT**

**LAKE 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 10, 2005**