



**Auditor of State
Betty Montgomery**

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Ottawa County
1856 E. Perry Street
Port Clinton, OH 43452-4200

To Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Ottawa County, (the District) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 District Board of Health as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2003 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 audits.

District Board of Health
Ottawa County
Independent Accountants' Report
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This report is intended solely for the information and use of 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

May 15, 2003

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards		\$27,958	\$27,958
Intergovernmental	\$281,617	226,987	508,604
Inspection Fees	8,965		8,965
Permits and Licenses	44,175	132,946	177,121
Charges for Services	49,715	878,922	928,637
Contractual Services	242,500		242,500
Other Receipts	856	111,122	111,978
Total Cash Receipts	<u>627,828</u>	<u>1,377,935</u>	<u>2,005,763</u>
Cash Disbursements:			
Salaries	188,260	783,595	971,855
Supplies	116,473	10,613	127,086
Remittances to State		35,068	35,068
Equipment	14,095		14,095
Contracts - Repair	8,380		8,380
Contracts - Services	121,399		121,399
Travel	64,743	717	65,460
Advertising and printing	12,816	844	13,660
Public employee's retirement	17,156	111,438	128,594
Worker's compensation		16,908	16,908
Other	164,697	24,903	189,600
Total Disbursements	<u>708,019</u>	<u>984,086</u>	<u>1,692,105</u>
Total Receipts Over/(Under) Disbursements	<u>(80,191)</u>	<u>393,849</u>	<u>313,658</u>
Other Financing Receipts/(Disbursements):			
Refunds	8,902		8,902
Reimbursements	50		50
Total Other Financing Receipts/(Disbursements)	<u>8,952</u>		<u>8,952</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(71,239)	393,849	322,610
Fund Cash Balances, January 1	<u>533,086</u>	<u>1,997,194</u>	<u>2,530,280</u>
Fund Cash Balances, December 31	<u>\$461,847</u>	<u>\$2,391,043</u>	<u>\$2,852,890</u>
Reserves for Encumbrances, December 31	<u>\$48,280</u>	<u>\$856</u>	<u>\$49,136</u>

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

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards		\$39,079	\$39,079
Intergovernmental	\$283,832	195,482	479,314
Inspection Fees	5,512		5,512
Permits and Licenses	45,229	171,628	216,857
Charges for Services	63,015	754,955	817,970
Other Fees		35,132	35,132
Fines	32		32
Contractual Services	121,764		121,764
Other Receipts	10,041	45,771	55,812
Total Cash Receipts	<u>529,425</u>	<u>1,242,047</u>	<u>1,771,472</u>
Cash Disbursements:			
Salaries	77,329	833,249	910,578
Supplies	55,878	17,873	73,751
Remittances to State		31,993	31,993
Equipment	33,817		33,817
Contracts - Repair	8,160		8,160
Contracts - Services	102,679		102,679
Travel	63,679	468	64,147
Advertising and printing	5,864	580	6,444
Public employee's retirement		105,293	105,293
Worker's compensation		19,509	19,509
Other	134,976	15,047	150,023
Total Disbursements	<u>482,382</u>	<u>1,024,012</u>	<u>1,506,394</u>
Total Receipts Over/(Under) Disbursements	<u>47,043</u>	<u>218,035</u>	<u>265,078</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		12,940	12,940
Transfers-Out	(12,940)		(12,940)
Refunds	14,114		14,114
Reimbursements	283		283
Total Other Financing Receipts/(Disbursements)	<u>1,457</u>	<u>12,940</u>	<u>14,397</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,500	230,975	279,475
Fund Cash Balances, January 1	484,586	1,766,219	2,250,805
Fund Cash Balances, December 31	<u>\$533,086</u>	<u>\$1,997,194</u>	<u>\$2,530,280</u>
Reserves for Encumbrances, December 31	<u>\$46,191</u>	<u>\$4,266</u>	<u>\$50,457</u>

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

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The District Board of Health, Ottawa County, (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 five-member Board and a Health Commissioner. The Ottawa County Auditor is the fiscal agent responsible for financial statement preparation and the Ottawa County Treasurer has fiscal control of the resources of the District which are maintained in the funds described below. The District's services include trailer park licenses, marina licenses, campground licenses, food service and vending licenses, water well and sewage permits, inspections, vital statistics, child and family health services, hospice, immunization clinics, home health services, and public health nursing services.

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:

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:

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Food Service Fund – This fund receives revenue for issuing food establishment and food service operation licenses.

Home Health Agency Fund – This fund receives fees for providing home nursing services to elderly and homebound persons.

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 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 Auditor calculates the estimated tax revenues available to the District. A certificate of estimated resources is prepared based upon this calculation and upon other financial information supplied in the budget sent by the District.

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 2002 and 2001 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, 2002 and 2001 follows:

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,460,500	\$636,780	(\$823,720)
Special Revenue	1,064,300	1,377,935	313,635
Total	<u>\$2,524,800</u>	<u>\$2,014,715</u>	<u>(\$510,085)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,705,891	\$756,299	\$949,592
Special Revenue	1,080,566	984,942	95,624
Total	<u>\$2,786,457</u>	<u>\$1,741,241</u>	<u>\$1,045,216</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,460,500	\$543,822	(\$916,678)
Special Revenue	1,049,875	1,254,987	205,112
Total	<u>\$2,510,375</u>	<u>\$1,798,809</u>	<u>(\$711,566)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,557,900	\$541,513	\$1,016,387
Special Revenue	1,064,679	1,028,278	36,401
Total	<u>\$2,622,579</u>	<u>\$1,569,791</u>	<u>\$1,052,788</u>

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.

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, 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. The District has paid all contributions required through December 31, 2002.

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 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 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:

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	8,827,588	7,715,035
Retained Earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	469,100	281,561
Retained Earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

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**Auditor of State
Betty Montgomery**

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

District Board of Health
Ottawa County
1856 E. Perry Street
Port Clinton, OH 43452-4200

To Members of the Board:

We have audited the financial statements of the District Board of Health, Ottawa County, (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 15, 2003. We conducted our audits 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.

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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 15, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, 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 reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also 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 May 15, 2003.

This report is intended for the information and use of 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

May 15, 2003

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Reportable Condition

Special revenue funds are to be used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District makes all of its expenditures from the General Fund. At the end of each fiscal year, the District reviews the expenditures and determines the amount which should be allocated from each of its special revenue funds. A transfer is made from each special fund to the General Fund for reimbursement. These reimbursements are not always supported by the accounting records and are recorded as transfers from the special revenue funds. Audit time is used to eliminate the transfers and record the proper expenditures against special revenue funds' various line items. The reimbursements are based on estimates of the current year expenses by the Health Commissioner.

Management was advised that failure to properly document the transfers from these various special revenue funds to the General Fund could result in the District's General Fund to be over and/or under reimbursed for the services provided. This could further result in material misstatement of financial statements if management does not change or implement proper procedures to correct this deficiency.

We recommend that the District make expenditures directly from the special revenue funds.

**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60162-001	Special Revenue Fund expenditures are not made directly from each fund. Transfers are made at the end of the fiscal year to reimburse the General fund.	No	Not corrected. Reissued in this report as finding number 2002-001.



**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

OTTAWA COUNTY DISTRICT BOARD OF HEALTH

OTTAWA 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
JUNE 19, 2003**