



**Auditor of State
Betty Montgomery**

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Noble County
44069 State Route 821
Caldwell, Ohio 43724

To Members of the Board:

We have audited the accompanying financial statement of the District Board of Health, Noble County, Ohio (the District), as of and for the year ended December 31, 2002. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement 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 statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District Board of Health, Noble County, as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 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 audit.

District Board of Health
Noble County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Health 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

June 20, 2003

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Property Taxes	\$140,324	\$	\$	\$140,324
Federal Award		310,803		310,803
Intergovernmental	48,192	131,690		179,882
Charges for Services	16,742	536,988		553,730
Licenses and Permits	2,321	55,682		58,003
Other Receipts	14,726	26,704	413	41,843
Total Cash Receipts	<u>222,305</u>	<u>1,061,867</u>	<u>413</u>	<u>1,284,585</u>
Cash Disbursements:				
Salaries	137,812	651,343		789,155
Supplies	15,162	59,032	187	74,381
Remittances to State		54		54
Equipment	1,786			1,786
Contracts - Repair	348	233		581
Contracts - Services	5,571	114,882		120,453
Travel	7,262	31,548		38,810
Medicare / Insurance	679	85,085		85,764
Advertising and Printing	11,646			11,646
Public Employee's Retirement	22,608	101,199		123,807
Worker's Compensation	641	2,131		2,772
Other Expenses	12,134	37,616		49,750
Total Cash Disbursements	<u>215,649</u>	<u>1,083,123</u>	<u>187</u>	<u>1,298,959</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,656</u>	<u>(21,256)</u>	<u>226</u>	<u>(14,374)</u>
Other Financing Receipts/(Disbursements):				
Advances-In	53,500	187,623		241,123
Advances-Out	(56,500)	(184,623)		(241,123)
Other Sources			122,003	122,003
Other Uses			(121,925)	(121,925)
Total Other Financing Receipts/(Disbursements)	<u>(3,000)</u>	<u>3,000</u>	<u>78</u>	<u>78</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,656</u>	<u>(18,256)</u>	<u>304</u>	<u>(14,296)</u>
Fund Cash Balances, January 1	<u>3,136</u>	<u>98,488</u>	<u>235</u>	<u>101,859</u>
Fund Cash Balances, December 31	<u><u>\$6,792</u></u>	<u><u>\$80,232</u></u>	<u><u>\$539</u></u>	<u><u>\$87,563</u></u>
Reserves for Encumbrances, December 31	<u><u>\$3,088</u></u>	<u><u>\$14,318</u></u>	<u><u>\$150</u></u>	<u><u>\$17,556</u></u>

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

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**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The District Board of Health, Noble 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 District's services include communicable disease investigations, immunization clinics, inspections, tuberculosis screening, public health nursing services, birth and death certificates and issues health-related licenses and permits.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Basis of Accounting

This financial statement follows 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).

This statement includes 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:

Home Health Fund - This fund receives reimbursements from Medicare, Medicaid, and other agencies for providing home health visits to residents of Noble County.

Help Me Grow Grant Fund - This fund receives state and federal grant money to provide services for children of Noble County.

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Agency Funds)

These funds are used to account for resources for which the District is acting in an agency capacity. The District had the following significant Fiduciary Fund:

Health Insurance Fund - This Agency Fund receives employee deductions and the employer share for health care insurance premiums.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

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 re-appropriated. The District did not encumber all commitments required by Ohio law.

A summary of 2002 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 statement.

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.

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$213,933	\$222,305	\$8,372
Special Revenue	1,121,449	1,061,867	(59,582)
Fiduciary	250	413	163
Total	\$1,335,632	\$1,284,585	(\$51,047)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$218,059	\$218,737	(\$678)
Special Revenue	1,147,626	1,097,441	50,185
Fiduciary	485	337	148
Total	\$1,366,170	\$1,316,515	\$49,655

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not always obtain prior certification before incurring an obligation.

3. PROPERTY TAX

The Noble County Commissioners levy a one-mill levy for the operation of the District Board of Health. This relieves the Townships and Villages of Noble County of the costs of operating the District.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

4. RETIREMENT SYSTEM

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002
(Continued)**

4. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance through the Noble County Commissioners for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

The District also provides health and life insurance coverage to its full-time employees through a private carrier.

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material



**Auditor of State
Betty Montgomery**

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

District Board of Health
Noble County
44069 State Route 821
Caldwell, Ohio 43724

To Members of the Board:

We have audited the accompanying financial statement of the District Board of Health, Noble County, Ohio (the District), as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statement is 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001.

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 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. A reportable condition is described in the accompanying Schedule of Findings as item 2002-002.

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 the management of the District in a separate letter dated June 20, 2003.

This report is intended for the information and use of the audit committee, management and the Board of Health, 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

June 20, 2003

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time of completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$100 for counties, or less than \$1,000 (which was increased to \$3,000 on April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of “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 taxing authority.

Twenty-five percent of the transactions tested did not include prior certification of the Fiscal Officer nor was there any evidence of a “Then and Now” certificate being used.

We recommend the District obtain the Fiscal Officer’s prior certification for all disbursements.

FINDING NUMBER 2002-002

Reportable Condition

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and; (2) an indication of the money (fund) from which it is expected that repayment will be made.

The Board of Health frequently advanced cash between funds with dissimilar purposes. This situation was caused by a cash flow problem wherein the District did not receive timely reimbursements from State and/or Federal grantor agencies. The District’s General Fund did not maintain a large enough cash balance to enable the District to advance monies from the General Fund. In addition, some inter-fund advances were initiated by the Fiscal Officer and forwarded to the County Auditor’s office for posting to the applicable funds without always securing a Board approved resolution.

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002
(Continued)**

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

FINDING NUMBER 2002-002 (Continued)

Reportable Condition (Continued)

We recommend that the Board of Health only advance money between funds with similar purposes. We also recommend the Fiscal Officer forward inter-fund advance activity to the County Auditor only after a proper resolution is passed by a two-thirds vote of the Board. The Fiscal Officer can also refer to Auditor of State Bulletin 97-003 for the proper procedures to initiate an advance.

**DISTRICT BOARD OF HEALTH
NOBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-61061-001	No prior certification of the expenditures, in violation of Ohio Rev. Code Section 5705.41(D)(1)	No	Not Corrected; the noncompliance citation is repeated for the year ended December 31, 2002 (Finding Number 2002-001).



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
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DISTRICT BOARD OF HEALTH

NOBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2003**