



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WARREN COUNTY COMBINED HEALTH DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Warren County Combined Health District
Warren County
416 South East Street
Lebanon, Ohio 45036

To Members of the Board:

We have audited the accompanying financial statements of the Warren County Combined Health District, Warren County, Ohio (the Health District), as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Health 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Health 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 Warren County Combined Health District, Warren County, Ohio, as of December 31, 1999, 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 a report dated June 6, 2000, on our consideration of the Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Health District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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 Section 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 6, 2000

WARREN COUNTY COMBINED HEALTH DISTRICT
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, 1999

	<u>GOVERNMENTAL FUND TYPES</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local taxes	\$891,688	\$0	\$0	\$891,688
Intergovernmental	321,805	484,011	0	805,816
Charges for Services	170,946	37,213	0	208,159
Fines, Licenses, and Permits	730,016	181,370	0	911,386
Miscellaneous	<u>19,324</u>	<u>3,675</u>	<u>8,200</u>	<u>31,199</u>
Total Cash Receipts	2,133,779	706,269	8,200	2,848,248
Cash Disbursements:				
Current:				
Salaries	1,093,350	113,820	0	1,207,170
Supplies	87,652	4,345	0	91,997
Equipment	56,533	0	0	56,533
Contracts - Services	67,567	248	0	67,815
Rentals	14,641	0	0	14,641
Travel and Expense	17,442	479	0	17,921
Advertising and Printing	8,194	0	0	8,194
Public Employee's Retirement	149,421	18,463	0	167,884
Worker's Compensation	15,188	2,555	0	17,743
Project Runt Expense	0	689,504	0	689,504
Remittance - State	0	78,920	0	78,920
State Portion of Fees	0	3,595	0	3,595
Other	273,938	26,888	0	300,826
Trust Fund Expense	<u>0</u>	<u>0</u>	<u>9,000</u>	<u>9,000</u>
Total Cash Disbursements	<u>1,783,926</u>	<u>938,817</u>	<u>9,000</u>	<u>2,731,743</u>
Total Cash Receipts Over/(Under) Cash Disbursements	349,853	(232,548)	(800)	116,505
Other Financing Receipts/(Disbursements):				
Transfers-In	0	185,000	0	185,000
Transfers-Out	<u>(185,000)</u>	<u>0</u>	<u>0</u>	<u>(185,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(185,000)</u>	<u>185,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement	164,853	(47,548)	(800)	116,505
Fund Cash Balances, January 1, 1999	<u>768,527</u>	<u>378,267</u>	<u>12,350</u>	<u>1,159,144</u>
Fund Cash Balances, December 31, 1999	<u>\$933,380</u>	<u>\$330,719</u>	<u>\$11,550</u>	<u>\$1,275,649</u>
Reserve for Encumbrances, December 31, 1999	<u>\$59,484</u>	<u>\$1,300</u>	<u>\$0</u>	<u>\$60,784</u>

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

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**WARREN COUNTY COMBINED HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Warren County Combined Health District, Warren County, Ohio (the Health 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 Board operates under the direction of a nine member Board of Health, five of whom are elected to overlapping terms by the Health District Advisory Council, and four who are appointed by the contract cities of Franklin, Lebanon, Springboro and Mason. The Health District is responsible for the appointment of the health commissioner, medical director, staff and for governing activities and setting policies for the health department. The Warren County Auditor is responsible for fiscal control of the resources of the Health District. The Warren County Treasurer is the custodian of these funds. Services provided by the Health District include public health care and the prevention or restriction of diseases.

The Health District's management believes these financial statements present all activities for which the Health 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. FUND ACCOUNTING

The Health District uses fund accounting to segregate cash and investments that are restricted as to use. The Health 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 required by law or contract to be restricted.

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 Health District had the following significant Special Revenue Fund:

Health Grant Fund - This fund receives state and federal funds for maintaining and operating District health programs.

**WARREN COUNTY COMBINED HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Expendable Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Health District to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as expendable. The Health District had the following significant Fiduciary Fund:

Expendable Trust Fund - Used to account for the funds received as payment for homeowner bonds.

D. 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. 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.

3. Encumbrances

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

A summary of 1999 budgetary activity appears in Note 3.

E. 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.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Health District.

**WARREN COUNTY COMBINED HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. FISCAL AND DEPOSITORY CONTROL

Fiscal control for the Health District is vested with the County Auditor and County Treasurer. The Health District does not maintain any depository accounts or investments. The County Treasurer is responsible for deposits, investments, and maintaining sufficient collateral for all funds of the Health District.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 1999 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,946,990	\$ 2,133,779	\$186,789
Special Revenue	878,129	891,269	13,140
Expendable Trust	7,700	8,200	500
Total	<u>\$2,832,819</u>	<u>\$3,033,248</u>	<u>\$200,429</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,218,499	\$ 2,028,410	\$ 190,089
Special Revenue	1,050,169	940,117	110,052
Expendable Trust	10,000	9,000	1,000
Total	<u>\$3,278,668</u>	<u>\$2,977,527</u>	<u>\$301,141</u>

4. PROPERTY TAX

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. Public utilities are also taxed on personal and real property located within the Health District.

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 Health District.

5. RETIREMENT SYSTEMS

The employees of the Health District belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**WARREN COUNTY COMBINED HEALTH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Health District contributed an amount equal to 13.55% of participants' gross salaries. The Health District has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Health District has obtained commercial insurance for the following risk:

- Comprehensive property

The Health District is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Health District's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Errors and omissions
- Vehicle

The Health District also provides health insurance and dental and vision coverage to full-time employees through the health insurance plan of Warren County.

7. 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.

**WARREN COUNTY COMBINED HEALTH DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Health:</i>			
Special Supplemental Food Program for Women, Infants, and Children		10.557	
FY99	83-1-01-F-CM-389		\$156,718
FY00	83-1-01-F-CM-389		<u>38,622</u>
Total Special Supplemental Food Program for Women, Infants, and Children			<u>195,341</u>
Total U.S. Department of Agriculture			195,341
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Warren County Department of Human Services:</i>			
Social Services Block Grant - Title XX Home Health Aide		93.667	
FY99	83-96-2235		19,600
FY00			<u>19,600</u>
Total Home Health Aide			39,200
Social Services Block Grant Maternal and Child Health Services		93.994	
FY99	83-1-01-F-AI-320		102,550
FY00			<u>39,920</u>
Total Maternal and Child Health Services			<u>142,470</u>
Total U.S. Department of Health and Human Services			<u>181,670</u>
Total			<u><u>\$377,011</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**WARREN COUNTY COMBINED HEALTH DISTRICT
NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Health District's federal award programs. The Schedule has been prepared on the cash basis of accounting.



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

Warren County Combined Health District
Warren County
416 South East Street
Lebanon, Ohio 45036

To Members of the Board:

We have audited the financial statements of the Warren County Combined Health District, Warren County, Ohio (the Health District), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 6, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Health 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the Health District in a separate letter dated June 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health 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 judgement, could adversely affect the Health 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 1999-60483-001.

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.

Warren County Combined Health District
Warren County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Governmental Auditing Standards*
Page 2

We also noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Health District in a separate letter dated June 6, 2000.

This report is intended for the information and use of the audit committee, management, the Board of Health, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 6, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Warren County Combined Health District
Warren County
416 South East Street
Lebanon, Ohio 45036

To Members of the Board:

Compliance

We have audited the compliance of Warren County Combined Health District, Warren County, Ohio (the Health District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Health District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Health District's management. Our responsibility is to express an opinion on the Health District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Health District's compliance with those requirements.

In our opinion, the Warren County Combined Health District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Health District 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 Health District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

Warren County Combined Health District
Warren County
Report of Independent Accountants on Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control over
Compliance In Accordance With OMB Circular A-133
Page 2

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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Health, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

June 6, 2000

**WARREN COUNTY COMBINED HEALTH DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Women, Infants, Children, CFDA #10.557
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$300,000 - N/A Type B: all other programs
(d)(1)(ix)	Low Risk Auditee?	No

**WARREN COUNTY COMBINED HEALTH DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

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

FINDING NUMBER 1999-60483-001

Reportable Condition

The Health District participated in the health insurance plan of Warren County. During the County's audit, we noted that Warren County has delegated employees' health insurance claims processing, which is a significant accounting function, to a third-party administrator. The County has not established procedures to reasonably determine that health insurance claims have been completely and accurately processed in accordance with the health insurance contract.

We recommend that Warren County as the Health District's fiscal agent implement procedures to reasonably assure the completeness, and accuracy (including eligibility and allowability) of health insurance claims processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards for audits of claims processing controls which should satisfy this requirement. As described in that Statement, we suggest that the County obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the third-party administrator. Such a report, if unqualified, would provide evidence to the County' and Health District's management that health insurance claims were being processed in conformance with the contract.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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COMBINED HEALTH DISTRICT

WARREN 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
JULY 13, 2000**