



**Auditor of State  
Betty Montgomery**



**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health  
Morrow County  
619 West Marion Road  
Mt. Gilead, Ohio 43338

Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morrow County, (the District) as of and for the years ended December 31, 2002, and December 31, 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 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 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 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 accounting principals generally accepted in the United States of America.

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, Morrow County, as of December 31, 2002, and December 31, 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 July 25, 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

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This report is intended solely for the information and use of the audit committee, 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**

July 25, 2003

DISTRICT BOARD OF HEALTH  
MORROW 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Other local taxes	\$531,340	\$0	\$531,340
Federal awards	4,790	57,931	62,721
Intergovernmental	77,860	150,435	228,295
Inspection fees	1,200	0	1,200
Permits	105,770	12,998	118,768
Charges for services	124,451	0	124,451
Other fees	56,058	62,771	118,829
Contractual services	63,655	0	63,655
Other receipts	37,538	4,236	41,774
<b>Total Cash Receipts</b>	<b>1,002,662</b>	<b>288,371</b>	<b>1,291,033</b>
<b>Cash Disbursements:</b>			
Salaries	650,317	91,489	741,806
Public employee's retirement	90,306	10,208	100,514
Worker's compensation	2,407	252	2,659
Medicare	9,658	1,092	10,750
Insurance	114,812	500	115,312
Advertising and printing	9,157	915	10,072
Supplies	39,206	924	40,130
Equipment	28,728	0	28,728
Contracts - Repair	16,611	0	16,611
Contracts - Services	7,259	0	7,259
Rentals	4,169	0	4,169
Travel	18,366	4,248	22,614
Remittances to state	4,952	11,339	16,291
Project fund expenses	0	69,464	69,464
Other	43,584	82,288	125,872
<b>Total Cash Disbursements</b>	<b>1,039,532</b>	<b>272,719</b>	<b>1,312,251</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(36,870)</b>	<b>15,652</b>	<b>(21,218)</b>
<b>Other Financing Receipts:</b>			
Reimbursements	349	0	349
Other sources	1,189	0	1,189
<b>Total Other Financing Receipts</b>	<b>1,538</b>	<b>0</b>	<b>1,538</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<b>(35,332)</b>	<b>15,652</b>	<b>(19,680)</b>
<b>Fund Cash Balances, January 1</b>	<b>537,006</b>	<b>127,059</b>	<b>664,065</b>
<b>Fund Cash Balances, December 31</b>	<b>\$501,674</b>	<b>\$142,711</b>	<b>\$644,385</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$83,399</b>	<b>\$31,736</b>	<b>\$115,135</b>

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

DISTRICT BOARD OF HEALTH  
MORROW 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>	
<b>Cash Receipts:</b>			
Other local taxes	\$508,117	\$0	\$508,117
Federal awards	10,727	67,964	78,691
Intergovernmental	74,763	134,441	209,204
Inspection fees	1,900	0	1,900
Permits	93,245	11,653	104,898
Charges for services	151,687	0	151,687
Other fees	53,578	68,349	121,927
Licenses	3,405	4,175	7,580
Contractual services	55,840	0	55,840
Other receipts	13,195	1,853	15,048
	<u>966,457</u>	<u>288,435</u>	<u>1,254,892</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Salaries	623,949	79,896	703,845
Public employee's retirement	84,030	9,082	93,112
Worker's compensation	7,069	694	7,763
Medicare	9,230	972	10,202
Insurance	88,309	0	88,309
Advertising and printing	8,195	0	8,195
Supplies	42,633	474	43,107
Equipment	5,654	0	5,654
Contracts - Repair	5,278	0	5,278
Contracts - Services	11,744	0	11,744
Rentals	3,703	0	3,703
Travel	20,289	4,878	25,167
Remittances to state	3,696	9,736	13,432
Project fund expenses	0	104,485	104,485
Other	51,938	74,686	126,624
	<u>965,717</u>	<u>284,903</u>	<u>1,250,620</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	<u>740</u>	<u>3,532</u>	<u>4,272</u>
<b>Other Financing Receipts:</b>			
Refunds	4,636	0	4,636
Reimbursements	647	0	647
	<u>5,283</u>	<u>0</u>	<u>5,283</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	6,023	3,532	9,555
Fund Cash Balances, January 1	530,983	123,527	654,510
<b>Fund Cash Balances, December 31</b>	<b><u>\$537,006</u></b>	<b><u>\$127,059</u></b>	<b><u>\$664,065</u></b>
Reserves for Encumbrances, December 31	<u>\$73,223</u>	<u>\$8,549</u>	<u>\$81,772</u>

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



**DISTRICT BOARD OF HEALTH  
MORROW 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, Morrow 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 provides the following services: communicable disease investigations, immunization clinics, tuberculosis screening, home visits, various types of licenses, permits and inspections and birth and death certificates.

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:

*Solid Waste District fund* – This fund receives monies from the Solid Waste District (DKMM) which are used for supplies and staff expenses for the investigation of solid waste nuisance complaints. In addition funds are received from the Solid Waste District for the expenses related to the completion of solid waste clean-up projects.

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

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

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (continued)**

*Food Service fund-* This fund receives revenue from food service operations in the form of fees and licenses to maintain food service establishments. These monies are used by the District to cover staff expenses and supplies. In addition, a portion of license fees collected is remitted to the State of Ohio.

**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.

**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.

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.

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

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

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$977,898	\$1,004,200	\$26,302
Special Revenue	374,700	288,371	(86,329)
Total	\$1,352,598	\$1,292,571	(\$60,027)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,291,090	\$1,122,931	\$168,159
Special Revenue	321,150	304,455	\$16,695
Total	\$1,612,240	\$1,427,386	\$184,854

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$984,875	\$971,740	(\$13,135)
Special Revenue	300,612	288,435	(12,177)
Total	\$1,285,487	\$1,260,175	(\$25,312)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,092,051	\$1,038,940	\$53,111
Special Revenue	347,262	293,452	\$53,810
Total	\$1,439,313	\$1,332,392	\$106,921

**3. 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 other local tax receipts in the financial statements.

**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  
MORROW COUNTY**

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

**4. RETIREMENT SYSTEM (continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The District has paid all contributions required through December 31, 2002.

**5. RISK MANAGEMENT**

The Government 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 claim, including loss adjustment expenses. 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-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>



**Auditor of State  
Betty Montgomery**

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

District Board of Health  
Morrow County  
619 West Marion Road  
Mt. Gilead, Ohio 43338

Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2002, and December 31, 2001 and have issued our report thereon dated July 25, 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 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 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 *Government Auditing Standards*.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 July 25, 2003.

This report is intended solely for the information and use of the audit committee, 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**

July 25, 2003



**Auditor of State  
Betty Montgomery**

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**DISTRICT BOARD OF HEALTH**

**MORROW 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  
SEPTEMBER 16, 2003**