



**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	17

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Ottawa District Board of Health
Ottawa County
1856 East Perry Street
Port Clinton, Ohio 43452-4200

To the Board of Health:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 31, 2007

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ottawa District Board of Health
Ottawa County
1856 East Perry Street
Port Clinton, Ohio 43452-4200

To the Board of Health:

We have audited the accompanying financial statements of the Ottawa District Board of Health, Ottawa County, (the District) as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement reformatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Ottawa District Board of Health, Ottawa County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Mary Taylor, CPA
Auditor of State

October 31, 2007

**OTTAWA 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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards		\$222,676	\$222,676
Subdivision	\$294,000		294,000
Intergovernmental	12,343	35,876	48,219
Inspection fees	19,675		19,675
Licenses and Permits	109,049	173,864	282,913
Fees	44,931	854,955	899,886
Fines	60	390	450
Contractual services	199,370		199,370
Other receipts	3,597	39,955	43,552
Total Cash Receipts	683,025	1,327,716	2,010,741
Cash Disbursements:			
Salaries	262,050	885,665	1,147,715
Supplies	36,848	56,746	93,594
Remittances to State		37,955	37,955
Equipment	10,620	2,823	13,443
Contracts - Repair	4,250	21	4,271
Contracts - Services	23,872	145,209	169,081
Water Lab Fees		5,560	5,560
Rentals	48,629		48,629
Travel	29,676	48,989	78,665
Advertising and printing	895	14,397	15,292
Public employee's retirement	35,715	120,707	156,422
Worker's compensation	800	2,704	3,504
Unemployment compensation	1,372		1,372
Health Insurance	38,087	128,722	166,809
Life Insurance	397	1,340	1,737
Medicare	3,186	10,767	13,953
Other	41,345	24,208	65,553
Total Cash Disbursements	537,742	1,485,813	2,023,555
Total Cash Receipts Over/(Under) Cash Disbursements	145,283	(158,097)	(12,814)
Other Financing Receipts/(Disbursements):			
Transfers-In	22,329	316,221	338,550
Transfers-Out	(316,221)	(22,329)	(338,550)
Refunds	261		261
Total Other Financing Receipts/(Disbursements)	(293,631)	293,892	261
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(148,348)	135,795	(12,553)
Fund Cash Balances, January 1	1,200,584	1,778,570	2,979,154
Fund Cash Balances, December 31	\$1,052,236	\$1,914,365	\$2,966,601
Reserves for Encumbrances, December 31	\$51,386	\$1,618	\$53,004

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

**OTTAWA 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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards		\$318,835	\$318,835
Subdivision	\$294,000		294,000
Intergovernmental	12,122	31,079	43,201
Inspection fees	28,540		28,540
Licenses and Permits	29,715	164,074	193,789
Fees	40,963	898,916	939,879
Fines	10	616	626
Contractual services	181,426		181,426
Other receipts	20,481	37,545	58,026
Total Cash Receipts	607,257	1,451,065	2,058,322
Cash Disbursements:			
Salaries	295,886	830,682	1,126,568
Supplies	39,073	61,374	100,447
Remittances to State		38,237	38,237
Equipment	2,922	42,768	45,690
Contracts - Repair	4,554		4,554
Contracts - Services	9,849	179,157	189,006
Water Lab Fees		7,180	7,180
Rentals	29,177		29,177
Travel	24,479	53,936	78,415
Advertising and printing	753	3,241	3,994
Public employee's retirement	39,803	111,746	151,549
Worker's compensation	10,612	29,791	40,403
Health Insurance	42,484	119,271	161,755
Life Insurance	481	1,351	1,832
Medicare	3,595	10,091	13,686
Other	51,589	1,583	53,172
Total Cash Disbursements	555,257	1,490,408	2,045,665
Total Cash Receipts Over/(Under) Cash Disbursements	52,000	(39,343)	12,657
Other Financing Receipts/(Disbursements):			
Transfers-In	617,411	441,271	1,058,682
Transfers-Out	(441,271)	(617,411)	(1,058,682)
Refunds	771		771
Total Other Financing Receipts/(Disbursements)	176,911	(176,140)	771
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	228,911	(215,483)	13,428
Fund Cash Balances, January 1	971,673	1,994,053	2,965,726
Fund Cash Balances, December 31	\$1,200,584	\$1,778,570	\$2,979,154
Reserves for Encumbrances, December 31	\$79,963	\$854	\$80,817

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

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Ottawa District Board of Health, Ottawa County, (the District) as a body corporate and politic. The District is a combined Board of Health as defined by 3709.07 of the Revised Code. The District is the union of the city health department of Port Clinton and the Ottawa County General Board of Health. The District operates under the direction of a six member appointed Board of Health with five members appointed by the District Advisory Council with one member being a resident of the City of Port Clinton, and one member appointed by the District Licensing Council. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, home health services, various clinics, and issues environmental health-related licenses and permits. The Ottawa County Auditor acts as fiscal agent for the District and the Ottawa County Treasurer acts as custodian of all funds.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State's accounting basis requires.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

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

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

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

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

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,058,350	\$705,615	(\$1,352,735)
Special Revenue	1,197,600	1,643,937	446,337
Total	\$3,255,950	\$2,349,552	(\$906,398)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,138,313	\$905,349	\$1,232,964
Special Revenue	1,336,954	1,509,760	(172,806)
Total	\$3,475,267	\$2,415,109	\$1,060,158

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,063,304	\$1,225,439	(\$837,865)
Special Revenue	1,734,300	1,892,336	158,036
Total	\$3,797,604	\$3,117,775	(\$679,829)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,143,891	\$1,076,491	\$1,067,400
Special Revenue	1,783,984	2,108,673	(324,689)
Total	\$3,927,875	\$3,185,164	\$742,711

The District did not limit expenditures to appropriation authority contrary to Ohio Law.

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. The financial statements present these amounts as subdivision receipts.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT

Ottawa County loaned the District \$70,000 on October 18, 1995 for the purpose of purchasing equipment. The terms of the loan were 4% interest payable for a period of ten years. In 2005, the remainder of the outstanding loan was paid off.

5. 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. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9 percent of their gross salaries; for 2005, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.7 percent of participants' gross salaries for 2006 and 13.55 percent for 2005. The District has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT – (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$9,288. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2004	\$4,644
2005	\$4,481
2006	\$5,138

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. CONTINGENT LIABILITIES

The District is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, the District's legal counsel believes the resolution of this matter will not materially adversely affect the District's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refund of any disallowed costs. Management cannot presently determine any amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ottawa District Board of Health
Ottawa County
1856 East Perry Street
Port Clinton, Ohio 43452-4200

To the Board of Health:

We have audited the financial statements of the Ottawa District Board of Health, Ottawa County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 31, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiencies described above are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002.

We did note a certain matter of noncompliance that we reported to the District's management in a separate letter dated October 31, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Board of Health. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 31, 2007

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Material Weakness

Financial Reporting

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 and periodically reviews expenditure activity to determine the amount of General Fund expenditures representing activity for its special revenue funds. A transfer is then authorized by the Board and recorded in the District's financial records to reimburse these expenditures. The amounts presented in the District's financial statements consist of the District's allocation of the amounts transferred to specific accounts. Our review of this activity identified instances in which amounts allocated for a given expenditure exceeded the amounts initially spent in the General Fund, allocation of indirect costs that were not always supported by documentation indicating the expenditures was allocable to a special revenue fund, and instances in which allocations were based on estimates of activity for the last two months of the fiscal year.

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. If this is not possible then any transfers for reimbursement should be adequately documented based on actual expenditures.

Officials' Response:

We did not receive a response from the officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of December 31, 2006, the following funds had expenditures exceeding appropriations:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Public Health Nurse	\$107,900	\$201,031	(\$93,131)
Family Planning	57,000	77,742	(20,742)
Water Well	27,300	45,818	(18,518)
Marina	14,000	16,660	(2,660)
WIC	75,000	111,001	(36,001)
PHI	119,000	132,000	(13,000)

**FINDING NUMBER 2006-002
(Continued)**

As of December 31, 2005, the following funds had expenditures exceeding appropriations:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Well	\$27,490	\$58,796	(\$31,306)
Marina	15,000	20,447	(5,447)
Welcome Home	29,000	31,055	(2,055)
Trailer Park	31,800	33,123	(1,323)
Home Health	761,000	1,223,566	(462,566)
Pools	23,500	24,167	(667)
IAP	16,000	20,190	(4,190)
PHI	132,000	169,779	(37,779)

The failure to have adequate appropriations in place at the time expenditures are being made could result in expenditures exceeding available resources, resulting in deficit spending practices. The Health Commissioner should not certify the availability of funds and should deny payment requests exceeding appropriations. The Health Commissioner may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

We did not receive a response from the officials to this finding.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	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	Repeated in this report as Finding 2006-001.
2004-002	Ohio Revised Code Section 5705.41(D) - expenditures were not properly certified.	Yes	



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 29, 2007**