



**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009**



**Mary Taylor, CPA**  
Auditor of State



**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

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# Mary Taylor, CPA Auditor of State

District Board of Health  
Defiance County  
1300 East Second Street, Suite 100  
Defiance, Ohio 43512-2484

To the Members of the Board:

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 an 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 adverse 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 15, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health  
Defiance County  
1300 East Second Street, Suite 100  
Defiance, Ohio 43512-2484

To the Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Defiance County, (the District) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit 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 audit provides 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 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 formatting 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, 2009 and 2008 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, 2009 and 2008, 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 District Board of Health, Defiance County, as of December 31, 2009 and 2008, 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 July 15, 2010, 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 audit.



**Mary Taylor, CPA**  
Auditor of State

July 15, 2010



**DISTRICT BOARD OF HEALTH DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$191,660	\$496,969	\$688,629
Levies	617,062		617,062
Fees	204,736	120,446	325,182
Licenses	960		960
Contractual Services	22,109	38,686	60,795
Miscellaneous	5,160	5,410	10,570
<b>Total Cash Receipts</b>	<u>1,041,687</u>	<u>661,511</u>	<u>1,703,198</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
Health:			
Salaries	\$474,039	\$118,439	\$592,478
Supplies	44,399	98	44,497
Remittances to State	40,970	12,070	53,040
Equipment	7,826		7,826
Contracts - Repair	245		245
Contracts - Services	32,954	2,882	35,836
Rent	46,822	10,133	56,955
Travel	6,385	2,232	8,617
Project Expenditures		533,622	533,622
Insurance	96,155	27,206	123,361
Advertising	898		898
Public employees retirement	73,902	15,681	89,583
Worker's compensation	9,022	2,101	11,123
Other	66,117	1,085	67,202
<b>Total Cash Disbursements</b>	<u>899,734</u>	<u>725,549</u>	<u>1,625,283</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>141,953</u>	<u>(64,038)</u>	<u>77,915</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		88,750	88,750
Advances-In		73,050	73,050
Transfers-Out	(87,750)	(1,000)	(88,750)
Advances-Out	(1,550)	(71,500)	(73,050)
Refunds	205		205
Reimbursements	25,674	4,301	29,975
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(63,421)</u>	<u>93,601</u>	<u>30,180</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	78,532	29,563	108,095
Fund Cash Balances, January 1	812,897	109,218	922,115
<b>Fund Cash Balances, December 31</b>	<u><u>\$891,429</u></u>	<u><u>\$138,781</u></u>	<u><u>\$1,030,210</u></u>
Reserves for Encumbrances, December 31	<u>\$8,220</u>	<u>\$5,507</u>	<u>\$13,727</u>

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

**DISTRICT BOARD OF HEALTH DISTRICT  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$141,798	\$442,354	\$584,152
Levies	665,324		665,324
Fees	209,414	106,058	315,472
Licenses	775		775
Contractual Services	19,892	48,561	68,453
Miscellaneous	618	5,644	6,262
<b>Total Cash Receipts</b>	<u>1,037,821</u>	<u>602,617</u>	<u>1,640,438</u>
<b>Cash Disbursements:</b>			
Current Disbursements:			
Health:			
Salaries	565,912	116,201	682,113
Supplies	55,494	50	55,544
Remittances to State	42,091	11,697	53,788
Equipment	8,292		8,292
Contracts - Repair	696		696
Contracts - Services	40,584	2,564	43,148
Rent	42,641	9,565	52,206
Travel	11,241	2,524	13,765
Project Expenditures		473,474	473,474
Insurance	108,307	28,178	136,485
Advertising	1,567		1,567
Public employees retirement	82,689	17,254	99,943
Worker's compensation	3,383	879	4,262
Other	42,138	1,031	43,169
<b>Total Cash Disbursements</b>	<u>1,005,035</u>	<u>663,417</u>	<u>1,668,452</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>32,786</u>	<u>(60,800)</u>	<u>(28,014)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		97,704	97,704
Advances-In	40,100	20,000	60,100
Transfers-Out	(95,960)	(1,744)	(97,704)
Advances-Out	(20,000)	(40,100)	(60,100)
Refunds	4		4
Reimbursements	17,171	9,491	26,662
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(58,685)</u>	<u>85,351</u>	<u>26,666</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(25,899)</u>	<u>24,551</u>	<u>(1,348)</u>
<b>Fund Cash Balances, January 1</b>	<u>838,796</u>	<u>84,667</u>	<u>923,463</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$812,897</u></u>	<u><u>\$109,218</u></u>	<u><u>\$922,115</u></u>
<b>Reserves for Encumbrances, December 31</b>	<u><u>\$41,115</u></u>	<u><u>\$5,925</u></u>	<u><u>\$47,040</u></u>

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

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 District Board of Health, Defiance County, (the District) as a body corporate and politic. A five-member District and a Health Commissioner govern the District. The District's services include recording of vital statistics, inspection of food service facilities, water wells, sewers, campgrounds, trailer parks, swimming pools, immunization clinics, and they act upon various complaints made to the District Board of Health concerning the health and welfare of the County.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

As required by the Ohio Revised Code, the Defiance County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, valued at the 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Women, Infants, and Children (WIC) Fund - This Federal grant fund accounts for the Special Supplemental Nutrition Program.

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Infrastructure Fund – This Federal grant fund accounts for the Public Health Emergency Preparedness program.

**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 District 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 District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 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.

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,058,471	\$1,067,566	\$9,095
Special Revenue	740,231	754,562	14,331
Total	\$1,798,702	\$1,822,128	\$23,426

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,871,369	\$995,704	\$875,665
Special Revenue	773,420	732,056	41,364
Total	\$2,644,789	\$1,727,760	\$917,029

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,053,788	\$1,054,996	\$1,208
Special Revenue	728,851	709,812	(19,039)
Total	\$1,782,639	\$1,764,808	(\$17,831)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,912,685	\$1,142,110	\$770,575
Special Revenue	698,511	671,086	27,425
Total	\$2,611,196	\$1,813,196	\$798,000

**3. RETIREMENT SYSTEM**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2009.

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, 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 \$5,000.

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. RISK MANAGEMENT – (CONTINUED)**

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.

<b><u>Contributions to PEP</u></b>	
2008	\$4,832
2009	\$4,840

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide 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 contribution. Withdrawing members have no other future obligation to PEP. 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.

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# 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

District Board of Health  
Defiance County  
1300 East Second Street, Suite 100  
Defiance, Ohio 43512-2484

To the Members of the Board:

We have audited the financial statements of the District Board of Health, Defiance County, (the District) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 15, 2010 wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 15, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 15, 2010

**DISTRICT BOARD OF HEALTH  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Recommendation regarding the monitoring of financial statements	No	Partially Corrected. Repeated in Management Letter.





**Mary Taylor, CPA**  
Auditor of State

**DEFIANCE COUNTY DISTRICT BOARD OF HEALTH**  
**DEFIANCE 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 5, 2010**