



**Auditor of State
Betty Montgomery**

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lake County General Health District
Lake County
33 Mill Street
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the accompanying financial statements of the Lake County General Health District, Lake County, Ohio (the District) as of and for the year ended December 31, 2003. 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 described 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 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 Lake County General Health District, Lake County, Ohio as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2004 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.

The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it 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, Board of Trustees 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 8, 2004

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Subdivisions	\$1,710,318	\$0	\$1,710,318
Permits	237,989	23,841	261,830
Licenses	0	430,688	430,688
Fees	0	197,111	197,111
Contractual services	0	351,690	351,690
Miscellaneous	23,979	102,246	126,225
Intergovernmental	136,608	1,536,767	1,673,375
Refunds and Reimbursements	5,100	0	5,100
County Subsidy	0	11,500	11,500
Employee Hospitalization Deductions	46,499	0	46,499
	<u>2,160,493</u>	<u>2,653,843</u>	<u>4,814,336</u>
Total Cash Receipts			
	<u>2,160,493</u>	<u>2,653,843</u>	<u>4,814,336</u>
Cash Disbursements:			
Remittances to State	0	173,325	173,325
Salaries	1,266,761	1,456,118	2,722,879
Public employee's retirement	189,321	219,067	408,388
Worker's compensation	0	4,317	4,317
Medicare	11,050	18,855	29,905
Equipment	110,287	58,981	169,268
Other Expenses	455,215	1,003,789	1,459,004
Unemployment Compensation	3,349	0	3,349
	<u>2,035,983</u>	<u>2,934,452</u>	<u>4,970,435</u>
Total Disbursements			
	<u>2,035,983</u>	<u>2,934,452</u>	<u>4,970,435</u>
Total Receipts Over/(Under) Disbursements	<u>124,510</u>	<u>(280,609)</u>	<u>(156,099)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	608,200	608,200
Transfers-Out	0	(608,200)	(608,200)
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>124,510</u>	<u>(280,609)</u>	<u>(156,099)</u>
Fund Cash Balances, January 1, 2002	<u>704,752</u>	<u>1,187,948</u>	<u>1,892,700</u>
Fund Cash Balances, December 31, 2003	<u><u>\$829,262</u></u>	<u><u>\$907,339</u></u>	<u><u>\$1,736,601</u></u>
Reserve for Encumbrances, December 31, 2003	<u><u>\$3,364</u></u>	<u><u>\$9,490</u></u>	<u><u>\$12,854</u></u>

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

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**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lake County General Health District, Lake County, Ohio, (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 provides public health services for the prevention or restriction of disease. In addition to the required programs, the District adopts regulations and provides programs to enable residents of the District to live in a healthy and environmentally safe community. The District is directed by an appointed fourteen member Board of Trustees and a Health Commissioner. With the exception of the City of Mentor, each contracting city has one Board representative. As a result of their population, the City of Mentor has two representatives. The General Health District (township and villages) have four representatives on the Board. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and they issue health-related licenses and permits.

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 the Ohio Revised Code, the Lake County Auditor is the fiscal agent of the District. The District's cash is held and invested by the Lake County Treasurer who acts as custodian for the District's monies. 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.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

Marina Fund - This fund receives fees collected for the inspection and licensing of County Marinas.

Immunization Action Plan Fund - This federal grant fund is used to account for the Immunization Action Plan Program.

Manufactured Homes, Parks, and Camps Fund - This fund receives fees collected for the inspection and licensing of Manufactured Homes, Parks, and Camps.

Water Systems - This fund receives fees collected for the inspection and licensing of water systems.

Women, Infants and Children (WIC) Fund - This federal grant fund is used to account for the Special Supplemental Nutrition Program.

Swimming Pool Fund- This fund receives fees collected for the inspection and licensing of public swimming pools and spas.

Vital Statistics Fund - This fund receives fees collected for birth and death certificates.

Tuberculosis Record Bureau Fund - This fund is used to account for payments received from the Lake County Commissioners for treatment of tuberculosis.

Food Service Fund - This fund receives fees collected for the inspection and licensing of food service operations, food vending, mobile food service, and temporary food service.

Preventive Health Services - This federal grant fund is used to account for the Preventive Health Program.

Home Care Nursing Fund - This fund receives fees for providing home nursing services to elderly and homebound persons within the County.

Public Health Nursing Fund - This fund receives fees and non-federal grant dollars for providing public health nursing services.

Air Pollution Control Fund - This is a grant fund used to account for funds received for the Air Pollution Control Program.

Solid Waste Site Fund - This fund is used to account for fees collected related to the inspection and monitoring of solid waste sites.

Public Health Infrastructure Fund - This federal grant fund is used to account for the funding provided to help meet the Public Health Disaster/Emergency response plan.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Safe Community Programs Fund - This federal grant fund is used to account for funds received for the Safe Community Program.

Ryan White Title I - This fund receives federal grant money used for the prevention, treatment, and education of HIV and AIDS.

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. During 2002, encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year. Beginning in 2003, encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 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 the District's basis of accounting.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. NONPROFIT CORPORATIONS

On October 18, 1988, the District formed two nonprofit corporations in accordance with Chapter 1702 of the Ohio Revised Code which were recorded with the Secretary of State on October 19, 1988. On October 3, 2000, the District formed another nonprofit corporation in accordance with Chapter 1702 of the Ohio Revised Code which was recorded with the Secretary of State on October 6, 2000. The two corporations formed in 1988 are named the Lake County ATC and the Lake County Health District Fund. The corporation formed in 2000 is named the HDIS Corporation. All three corporations shall be operated exclusively for charitable, educational and scientific purposes and each corporation shall be operated specifically for the following:

Lake County ATC

- A. To establish, operate, maintain and support home health care programs and other health care programs to treat or prevent injury and disease and to provide care to the elderly without regard to sex, race, color or creed.
- B. To develop, participate in and carry on activities related to rendering care to the elderly, sick and injured and/or designed and carried on to promote the health of the general community.
- C. To provide funds or to expend funds to further the treatment or prevention of injury and disease, including, without limitation, to promote and carry on scientific research related to care of the elderly, sick and injured and/or the promotion of health in the general community served by the Lake County General Health District.
- D. To take and hold by bequest, devise, gift, purchase, or lease either absolutely or in trust, for any of its purposes, and property, real or personal, without limitation as to amount or value; to sell, convey and dispose of any such property and to invest and reinvest the principal of the corporation for any of the purposes herein before set forth.
- E. To do all things necessary or appropriate in order to accommodate the foregoing purposes.

Lake Health District Fund

- A. To receive and maintain a fund or funds and to apply the income and principle thereof for charitable, educational or scientific purposes within the United States of America; and more particularly, but without limiting the generality of the foregoing, to provide financial support to the District, its employees and programs, for the care of the sick, elderly, injured, and disabled, to further the treatment or prevention of injury or disease and to develop activities designed and carried on to promote health in the general community served by the District.
- B. To take and hold by bequest, devise, gift, purchase, or lease either absolutely or in trust, for any of its purposes, any property, real or personal, without limitation as to amount or value; to sell, convey and dispose of any such property and to invest and reinvest the principle of the corporation for any of the purposes herein before set forth.
- C. To do all things necessary or appropriate in order to accommodate the foregoing purposes.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. NONPROFIT CORPORATIONS (Continued)

HDIS Corporation

- A. To develop a data management system to be used by local health districts and similar agencies.
- B. Solely for the above purposes, HDIS Corporation is empowered to take and hold by bequest, devise, gift, contribution, purchase, lease, or any other form, either absolutely or in trust, any property, real or personal, tangible or intangible, without limitation as to amount or value; to sell, convey, use, apply and dispose of any such property and to invest and reinvest the income and principle thereof; to deal with and expend the income and principle of the HDIS Corporation; to make gifts or contributions to other entities or persons; and to exercise all other rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations.
- C. To do all things necessary or appropriate in order to accomplish the foregoing.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,681,178	\$2,160,493	(\$520,685)
Special Revenue	3,779,731	3,262,043	(517,688)
Total	\$6,460,909	\$5,422,536	(\$1,038,373)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,378,628	\$2,039,347	\$1,339,281
Special Revenue	4,692,480	3,552,142	1,140,338
Total	\$8,071,108	\$5,591,489	\$2,479,619

Contrary to the Ohio Revised Code, the District had expenditures plus encumbrances in excess of appropriations for various funds as of December 31, 2003.

4. SUBDIVISION REVENUE

The Cities, Villages, and Townships that receive services from the District contribute to the operations of the District. The County Auditor assesses each subdivision their share of the operating cost, which is calculated by the District, through property tax collections. When the County Auditor disburses property tax to the subdivision, the appropriate deduction is made on the subdivision settlement and transmitted to the District.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. RETIREMENT SYSTEM

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

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 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 Insurance

PEP retains casualty risks up to \$250,000 per claim. 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 Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

PEP's most recent financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings:

<u>Casualty Financial Information</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 Financial Information</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>

The District provides health, dental and vision insurance to full-time employees through a private carrier.

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**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003**

Federal Grantor/ Pass-Through Grantor/ Program Title	Project/Grant Number	CFDA Number	Receipts	Disbursements
U.S. Department of Agriculture				
<i>Passed Through the Ohio Department of Health</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	43-1-001-1-CL-03	10.557	\$320,965	\$302,639
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	43-1-001-1-CL-04	10.557	144,771	99,043
Total Department of Agriculture			465,736	401,682
U.S. Department of Health & Human Services				
<i>Passed Through the Ohio Department of Health</i>				
Immunization Grants	43-1-001-2-AZ-03	93.268	19,813	16,352
Total Immunization Grants			19,813	16,352
Public Health Infrastructure	43-1-001-2-B1-03	93.283	188,858	160,221
Total Public Health Infrastructure			188,858	160,221
Preventative Health and Health Services Block Grant	43-1-001-2-ED-03	93.991	48,685	46,909
Total Preventative Health and Health Services Block Grant			48,685	46,909
HIV Prevention Activities: Health Department Based	263-440-5238-5	93.940	32,965	13,717
Total HIV Prevention Activities: Health Department Based			32,965	13,717
Maternal and Child Health Services Block Grant to the States	43-1-001-1-CG-03	93.994	23,471	18,942
Total Maternal and Child Health Services Block Grant to the States			23,471	18,942
Total Passed Through Ohio Department of Health			313,792	256,141
<i>Passed Through Cuyahoga County of Ohio</i>				
HIV Emergency Relief Projects Grants	N/A	93.914	12,379	0
HIV Emergency Relief Projects Grants	N/A	93.914	36,387	39,896
Total HIV Emergency Relief Projects Grants			48,766	39,896
Total Department of Health & Human Services			362,558	296,037
U.S. Department of Environmental Protection Agency				
<i>Passed Through the Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support - FY 02	N/A	66.001	0	9,552
Air Pollution Control Program Support - FY 03	N/A	66.001	122,899	91,260
Air Pollution Control Program Support - FY 04	N/A	66.001	0	23,584
Total Environment Protection Agency			122,899	124,396
U.S. Department of Transportation				
<i>Passed Through the Ohio Department of Public Safety</i>				
State and Community Highway Safety - FY 02	2002-SA-N/1	20.600	23,055	31,489
State and Community Highway Safety - FY 03	2003-SA-N/1	20.600	10,331	0
Total Department of Transportation			33,386	31,489
Total Federal Awards Expenditures			\$984,579	\$853,604

Notes to the Schedule of Federal Awards Expenditures

CFDA - Catalog of Federal Domestic Assistance

This schedule is prepared on the cash basis of accounting.

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**Auditor of State
Betty Montgomery**

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

Lake County General Health District
Lake County
33 Mill Street
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of the Lake County General Health District, Lake County, Ohio, (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 8, 2004. 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 other 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 April 8, 2004.

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

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Betty Montgomery
Auditor of State

April 8, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Lake County General Health District
Lake County
33 Mill Street
Painesville, Ohio 44077

Compliance

We have audited the compliance of the Lake County General Health District, Lake County, Ohio, (the 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 each of its major federal programs for the year ended December 31, 2003. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the 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 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.

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, Board of Trustees, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 8, 2004

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.557 - Special Supplement Nutrition Program for Woman, Infants and Children; CFDA #66.001 – Air Pollution Control Program Support
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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Noncompliance Citation

Ohio Rev. Code § 3709.28 establishes budgetary requirements, for General Health Districts, which are similar to certain ORC Chapter 5705 budgetary requirements. Subject to estimated resources, the District may, by resolution, transfer funds from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

The District had 17 out of 19 appropriation modifications during the audit period which were not approved by resolution or certified to the county budget commission.

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the District may not exceed appropriations at the legal level of control for all funds.

As of December 31, 2003, the following Special Revenue funds had expenditures plus encumbrances in excess of appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Variance</u>
Immunization Action Plan- Personal Services-Salaries- Employees	\$6,685	\$10,021	(\$3,336)
Immunization Action Plan-Other Expenditures/Expenses-Other Expenses	6,247	10,672	(4,425)
Water Systems-Other Expenditures/Expenses-State Remittances	1,860	2,080	(220)
WIC Program-Other Expenditures/Expenses-Other Expenses	37,050	60,639	(23,589)
WIC Program-Fringe Benefits & Insurance-PERS	41,723	44,282	(2,559)
Vital Statistics-Personal Services- Salaries-Employees	35,943	35,966	(23)
Vital Statistics- Other Expenditures/Expenses-State Remittances	51,732	74,272	(22,540)
Vital Statistics- Fringe Benefits & Insurance-PERS	5,229	5,287	(58)
Food Service-Other Expenditures/Expenses-State Reimbursements	31,000	31,230	(230)

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001
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(Continued)

Noncompliance Citation (Continued)

Food Service-Other Non-Operating Expenditures/Expenses-Transfers-Out	273,236	280,000	(6,764)
Air Pollution Control-Personal Services-Salaries-Employees	115,283	117,004	(1,721)
Air Pollution Control-Other Expenditures/Expenses-Other Expenses	74,143	87,873	(13,730)
Air Pollution Control-Fringe Benefits & Insurance-Medicare-Employer	1,542	1,615	(73)
Air Pollution Control-Capital Outlay-Equipment	20,000	23,090	(3,090)
Public Health Infrastructure-Personal Services-Salaries-Employees	59,214	78,104	(18,890)
Public Health Infrastructure-Fringe Benefits and Insurance-PERS	9,350	9,766	(416)
Public Health Infrastructure-Fringe Benefits and Insurance-Medicare-Employer	835	1,044	(209)
Safe Community Programs-Personal Services-Salaries-Employees	14,635	18,732	(4,097)
Safe Community Programs-Fringe Benefits and Insurance-PERS	1,489	2,339	(850)
Safe Community Programs-Fringe Benefits and Insurance-Medicare-Employer	159	252	(93)
Ryan White Title I-Personal Services-Salaries-Employees	18,338	24,469	(6,131)
Ryan White Title I- Fringe Benefits and Insurance-PERS	2,290	3,056	(766)
Ryan White Title I-Fringe Benefits and Insurance-Workers Compensations	719	751	(32)
Ryan White Title I- Fringe Benefits and Insurance-Medicare-Employer	245	327	(82)

**LAKE COUNTY GENERAL HEALTH DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003
(Continued)**

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

(Continued)

Finding Number	2003-001
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(Continued)

Noncompliance Citation (Continued)

As a result of the District not properly approving various appropriation modifications, the modifications were not considered valid which resulted in the above noted ORC § 5705.41 (D) violations.

We recommend that the District approve, by resolution, all appropriation modifications. Also, such appropriation modifications should be certified to the county budget commission for approval.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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Betty Montgomery**

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LAKE COUNTY GENERAL HEALTH DISTRICT

LAKE 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
MAY 11, 2004**