



**DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



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, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	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	18

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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2009

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, 2008 and 2007. 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 districts 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.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007, 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 September 22, 2009, 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

September 22, 2009

**OTTAWA DISTRICT BOARD OF HEALTH DISTRICT
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, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal Awards		\$283,850	\$283,850
Subdivisions	\$324,000		324,000
Intergovernmental	12,435	10,750	23,185
Inspection Fees	10,170		10,170
Licenses and Permits	1,095	175,640	176,735
Charges for Services	39,548	1,020,691	1,060,239
Other Fees		12,116	12,116
Fines	2,274	500	2,774
Contractual Services	50,409	51,717	102,126
Investment Earnings		7,396	7,396
Miscellaneous	4,367		4,367
	<u>444,298</u>	<u>1,562,660</u>	<u>2,006,958</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	1,084,695		1,084,695
Fringe Benefits	309,612		309,612
Supplies	73,542		73,542
Remittances to State		46,029	46,029
Equipment	2,344	9,847	12,191
Contracts - Repair	2,748		2,748
Contracts - Services	173,317		173,317
Advertising and Printing	1,100		1,100
Travel	73,261		73,261
Rentals	46,057		46,057
Other	37,683		37,683
	<u>1,804,359</u>	<u>55,876</u>	<u>1,860,235</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(1,360,061)</u>	<u>1,506,784</u>	<u>146,723</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	1,443,176	442,205	1,885,381
Transfers-Out	(150,118)	(1,735,263)	(1,885,381)
Other Financing Receipts	6,055	206	6,261
	<u>1,299,113</u>	<u>(1,292,852)</u>	<u>6,261</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(60,948)	213,932	152,984
Fund Cash Balances, January 1	630,539	2,486,584	3,117,123
Fund Cash Balances, December 31	<u>\$569,591</u>	<u>\$2,700,516</u>	<u>\$3,270,107</u>
Reserves for Encumbrances, December 31	<u>\$61,414</u>	<u>\$2,954</u>	<u>\$64,368</u>

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

**OTTAWA DISTRICT BOARD OF HEALTH DISTRICT
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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal Awards		\$305,083	\$305,083
Subdivisions	\$324,000		324,000
Intergovernmental	12,429	8,550	20,979
Inspection Fees	9,935		9,935
Licenses and Permits	545	169,917	170,462
Charges for Services	41,826	899,344	941,170
Other Fees		9,451	9,451
Fines		487	487
Contractual Services	136,985	29,061	166,046
Miscellaneous	3,307	10,183	13,490
Total Cash Receipts	529,027	1,432,076	1,961,103
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	1,035,120		1,035,120
Fringe Benefits	319,260		319,260
Supplies	90,542		90,542
Remittances to State		44,743	44,743
Equipment	7,819	4,583	12,402
Contracts - Repair	3,944		3,944
Contracts - Services	169,849		169,849
Advertising and Printing	2,132		2,132
Travel	74,322		74,322
Rentals	14,376		14,376
Other	43,858		43,858
Total Disbursements	1,761,222	49,326	1,810,548
Total Receipts Over/(Under) Disbursements	(1,232,195)	1,382,750	150,555
Other Financing Receipts/(Disbursements):			
Transfers-In	1,405,866	533,768	1,939,634
Transfers-Out	(596,009)	(1,343,625)	(1,939,634)
Other Financing Receipts	641		641
Other Financing Disbursements		(674)	(674)
Total Other Financing Receipts/(Disbursements)	810,498	(810,531)	(33)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(421,697)	572,219	150,522
Fund Cash Balances, January 1	1,052,236	1,914,365	2,966,601
Fund Cash Balances, December 31	\$630,539	\$2,486,584	\$3,117,123
Reserves for Encumbrances, December 31	\$76,674	\$2,640	\$79,314

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, 2008 AND 2007**

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 Section 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. This 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. 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. Deposits and Investments

As required by the Ohio Revised Code, the Ottawa County Treasurer is custodian for the District's deposits. The County's deposit 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.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Fund Accounting – (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 District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

The District did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 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.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,962,245	\$1,893,529	(\$68,716)
Special Revenue	1,556,422	2,005,071	448,649
Total	\$3,518,667	\$3,898,600	\$379,933

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,124,426	\$2,015,891	\$108,535
Special Revenue	1,828,501	1,794,093	34,408
Total	\$3,952,927	\$3,809,984	\$142,943

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,921,250	\$1,935,534	\$14,284
Special Revenue	1,484,900	1,965,844	480,944
Total	\$3,406,150	\$3,901,378	\$495,228

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,849,515	\$2,433,905	\$415,610
Special Revenue	1,892,850	1,396,265	496,585
Total	\$4,742,365	\$3,830,170	\$912,195

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

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

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 intergovernmental receipts.

4. 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the District contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

5. 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. 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. Districts 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

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

5. RISK MANAGEMENT – (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,000. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

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

5. 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.

<u>Contributions to PEP</u>	
2006	\$5,138
2007	\$5,138
2008	\$4,848

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 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.

6. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine 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, 2008 and 2007, and have issued our report thereon dated September 22, 2009, 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 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 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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. We believe the significant deficiency described above is also material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 22, 2009.

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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 22, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

September 22, 2009

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Financial Reporting – Material Weakness

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, or estimate, 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.

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 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 the District make expenditures directly from the proper fund. If funds are not available to cover expenditures at the time of payment, then the Board should authorize transfer of funds from the General Fund to allow for payment to be made from the proper fund.

Officials' Response:

The Board of Health currently identifies special fund expenses and periodically transfers the amount from the special revenue fund to the general fund for those identified expenses. The Board's current software program and staffing are inadequate to support bi-weekly payroll expenditures to be made directly from each special revenue fund. The Board will explore the availability of compatible computer programming and the projected additional personnel costs needed to directly expend from each special revenue fund. Once that information and other special fund requirements are evaluated the Board will consider revised expenditure procedures for special fund expenses.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2008-002
(Continued)**

1. **“Then and Now” certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the legislative authority can authorize the drawing of a warrant for the payment of the amount due. The legislative authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the legislative authority.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not properly certify 25% of the expenditures tested prior to the purchase commitment and there was no evidence the District followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend the District certify the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, “then and now” certification should be used, with appropriate Board approval following within thirty days.

We recommend the taxing authority certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language section 5705.41(D) requires to authorize disbursements. The County Auditor should sign the certification at the time the District incurs the commitment, and only when the requirements of section 5705.41(D) are satisfied. The County Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2008-002
(Continued)**

Officials' Response:

The Board of Health will first utilize purchase orders for obligations. When a purchase order is not possible the Board will use "Then and Now Certificates", "Blanket Certificates", and "Super Blanket Certificates". These will be completed to assure that purchase commitments receive appropriate approval to certify that funds are or will be available prior to obligating the expenditure.

**OTTAWA DISTRICT BOARD OF HEALTH
OTTAWA COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Financial Reporting – Special Revenue Funds 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 2008-001.
2006-002	Ohio Revised Code Section 5705.41 (B) – expenditures exceeding appropriations.	No	Partially Corrected, reported as a management letter citation.



Mary Taylor, CPA
Auditor of State

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
OCTOBER 15, 2009**