



**Auditor of State
Betty Montgomery**

FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fayette County General Health District
Fayette County
317 South Fayette Street
Washington Courthouse, Ohio 43160

To Members of the Board:

We have audited the accompanying financial statements of Fayette County General Health District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Fayette County General Health District as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board 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

May 8, 2003

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Subdivisions	\$69,500	\$0	\$69,500
Intergovernmental		191,775	191,775
Levies	889,090		889,090
Permits	6,610	5,547	12,157
Other fees	32,612	2,747	35,359
Licenses		29,916	29,916
Contractual services	37,763		37,763
Other receipts	46,440	50,217	96,657
Total Cash Receipts	<u>1,082,015</u>	<u>280,202</u>	<u>1,362,217</u>
Cash Disbursements:			
Salaries	564,594	116,768	681,362
Supplies	31,409	28,050	59,459
Remittances to State		9,747	9,747
Equipment	22,101	1,972	24,073
Contracts - Services	22,177	28,823	51,000
Capital Projects	80,426		80,426
Travel	5,526	551	6,077
Water Test Fees		2,386	2,386
Utilities and rentals	10,774		10,774
Medicare	3,162	1,693	4,855
Advertising and printing	502		502
Public employee's retirement	73,707	16,700	90,407
Worker's compensation	6,706	831	7,537
Insurance	104,822	3,562	108,384
Other	23,336	1,620	24,956
Total Disbursements	<u>949,242</u>	<u>212,703</u>	<u>1,161,945</u>
Total Receipts Over/(Under) Disbursements	<u>132,773</u>	<u>67,499</u>	<u>200,272</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		19	19
Advances-In	16,000	16,000	32,000
Transfers-Out	(19)		(19)
Advances-Out	(16,000)	(16,000)	(32,000)
Refunds	2,009	600	2,609
Total Other Financing Receipts/(Disbursements)	<u>1,990</u>	<u>619</u>	<u>2,609</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>134,763</u>	<u>68,118</u>	<u>202,881</u>
Fund Cash Balances, January 1	<u>855,279</u>	<u>212,537</u>	<u>1,067,816</u>
Fund Cash Balances, December 31	<u><u>\$990,042</u></u>	<u><u>\$280,655</u></u>	<u><u>\$1,270,697</u></u>
Reserves for Encumbrances, December 31	<u><u>\$16,284</u></u>	<u><u>\$7,197</u></u>	<u><u>\$23,481</u></u>

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

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Subdivisions	\$69,500	\$0	\$69,500
Intergovernmental		184,524	184,524
Levies	986,742		986,742
Permits	7,490	4,720	12,210
Other fees	32,132	5,495	37,627
Licenses	480	28,289	28,769
Contractual services	37,935		37,935
Other receipts	37,574	49,911	87,485
	<u>1,171,853</u>	<u>272,939</u>	<u>1,444,792</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries	512,198	134,601	646,799
Supplies	27,118	18,220	45,338
Remittances to State		8,949	8,949
Equipment	17,674	13,306	30,980
Contracts - Repair	802		802
Contracts - Services	20,830	22,819	43,649
Capital Projects	8,000		8,000
Travel	4,880	390	5,270
Water Test Fees		1,994	1,994
Medicare	5,746	1,599	7,345
Advertising and printing	776		776
Public employee's retirement	61,081	15,585	76,666
Worker's compensation	6,640	2,216	8,856
Insurance	69,068	8,252	77,320
Other	30,451	916	31,367
	<u>765,264</u>	<u>228,847</u>	<u>994,111</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>406,589</u>	<u>44,092</u>	<u>450,681</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	10	473	483
Advances-In	18,000	18,000	36,000
Transfers-Out		(483)	(483)
Advances-Out	(18,000)	(18,000)	(36,000)
Refunds	262	30	292
Reimbursements	4,096	1,490	5,586
	<u>4,368</u>	<u>1,510</u>	<u>5,878</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	410,957	45,602	456,559
Fund Cash Balances, January 1	<u>444,322</u>	<u>166,935</u>	<u>611,257</u>
Fund Cash Balances, December 31	<u><u>\$855,279</u></u>	<u><u>\$212,537</u></u>	<u><u>\$1,067,816</u></u>
Reserves for Encumbrances, December 31	<u><u>\$4,603</u></u>	<u><u>\$5,241</u></u>	<u><u>\$9,844</u></u>

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

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fayette County General Health District, Fayette 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 is directed by a five-member Board and a Health Commissioner. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues 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 Ohio Revised Code, the Fayette County Auditor is the fiscal agent of the District. The District's cash is held and invested by the Fayette County Treasurer, who acts as custodian for the District 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 that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

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

Women, Infants and Children (WIC) Fund

This is a Federal grant fund used to account for the Special Supplemental Nutrition Program.

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Family Planning Fund

This fund is used to account for federal and state funds received for enabled families to choose if and when to have children; cervical and breast cancer screening is included.

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under District's basis of accounting.

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

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

2. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,034,942	\$1,084,024	\$49,082
Special Revenue	274,244	280,821	6,577
Total	\$1,309,186	\$1,364,845	\$55,659

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,436,900	\$965,545	\$471,355
Special Revenue	241,591	219,900	21,691
Total	\$1,678,491	\$1,185,445	\$493,046

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,406,438	\$1,176,221	(\$230,217)
Special Revenue	276,400	274,932	(1,468)
Total	\$1,682,838	\$1,451,153	(\$231,685)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,470,900	\$769,867	\$701,033
Special Revenue	280,983	234,571	46,412
Total	\$1,751,883	\$1,004,438	\$747,445

The District did not obtain prior certification of the fiscal officer for all purchases as required by Ohio law.

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in subdivision receipts in the financial statements.

The County Commissioners are serving as a special taxing authority to levy a special levy outside the ten-mill limitation to provide the Board of Health with sufficient funds to carry out health programs. The levy generated \$889,090 in 2002 and \$986,742 in 2001. These amounts are included as levies receipts.

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

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

4. RETIREMENT SYSTEM

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. The District has paid all contributions required through December 31, 2002.

5. RISK MANAGEMENT

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. 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-occurrence limit of \$2,000,000.

Property Coverage

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.

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

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

5. RISK MANAGEMENT (Continued)

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, 2001 and 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material

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**Auditor of State
Betty Montgomery**

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

Fayette County General Health District
Fayette County
317 South Fayette Street
Washington Courthouse, Ohio 43160

To Members of the Board:

We have audited the accompanying financial statements of Fayette County General Health District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 8, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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 2002-60624-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 8, 2003.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as items 2002-60624-001.

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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we consider the reportable condition described above to be a material weakness. We also 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 May 8, 2003.

This report is intended solely for the information and use of management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 8, 2003

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-60624-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The District failed to get the fiscal officer's certification before making commitments and neither of the above exceptions was used. Thirty seven percent (37%) of the expenditures and obligations tested were initiated without obtaining the prior certification of the fiscal officer.

This procedure is not only required by law, but is a key control in the disbursement process. Without proper certification of funds, disbursements could be made without current adequate resources being available or disbursements could be made in excess of authorized appropriations. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds. We also reported this matter in our audit of the 1999 and 2000 financial statements.

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**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60624-001	No prior certification.	No.	Repeated as finding #2002-0624-001.
2000-60624-002	Health Commissioner did not sign Payroll Transmittal Reports.	Yes.	
2000-60624-003	Appropriation Measure not adopted.	Yes.	
2000-60624-004	Estimated Receipts exceed Actual Receipts.	No.	Partially Corrected. Moved to Management Letter Recommendation.
2000-60624-005	Appropriations exceeded estimated resources.	No.	Partially Corrected. Moved to Management Letter Recommendation.
2000-60624-006	Disbursements greater than appropriations.	Yes.	



**Auditor of State
Betty Montgomery**

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FAYETTE COUNTY GENERAL HEALTH DISTRICT

FAYETTE 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
JUNE 3, 2003**