



**Mary Taylor, CPA**  
Auditor of State



**LORAIN COUNTY GENERAL HEALTH DISTRICT  
LORAIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lorain County General Health District  
Lorain County  
9880 South Murray Ridge Road  
Elyria, Ohio 44035

To the Board of Health:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County General Health District, Lorain County, Ohio (the District), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County General Health District, Lorain County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and WIC funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the respective budgetary comparison for the General and WIC funds are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

On December 12, 2006, during the administration of Betty Montgomery, Auditor of State, our office released the audit report dated November 8, 2006 for Lorain County General Health District, Lorain County, for the year ending December 31, 2005. Subsequent to issuing that report, we became aware that the independent accountants' report omitted the unqualified opinion on the fair presentation of the Schedule of Federal Awards Expenditures in relation to the aforementioned basic statements. The revised independent accountants' report above includes report on the schedule of Federal Awards Expenditures.



**Mary Taylor, CPA**  
Auditor of State

November 1, 2007

LORAIN COUNTY GENERAL HEALTH DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

This discussion and analysis of the Lorain County General Health District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Highlights**

**Key highlights for 2005 are as follows:**

Net assets of governmental activities increased \$ 38,605 or 1.6% during 2005.

The largest source of District revenue was from tax receipts. These receipts represented 45.4% of total revenue. Grants and contributions provided the second largest source of revenue, representing 30.9% of total revenue.

### **Using the Basic Financial Statements**

This annual report is in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole. Fund financial statements provide a greater level of detail. Funds segregate money based on legal regulations or for specific purposes. These statements present financial information by fund, presenting major funds in separate columns. The notes to the financial statements are an integral part of the District-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts are recognized when received, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**Reporting the Health District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during 2005. The statement of net assets presents the cash balances of the governmental type activities of the District at year-end. The statement of activities compares cash disbursements with program receipts for each Governmental program activity. Program receipts include charges paid by the recipient for the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, one should also consider other non-financial factors as well, such as the District's property tax base, the condition of the District's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds, not the District as a whole. The District establishes separate funds to manage its many activities and to help demonstrate that money that is restricted in its use is spent for the intended purpose.

All of the District's activities are reported as governmental funds. Governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine the availability of financial resources to support the District's programs. The District's major Governmental funds have separate columns on the financial statements. The District's major Governmental funds are the General Fund and the Women, Infants and Children (WIC) Fund. The programs reported in Governmental funds are those reported in the Governmental activities section of the entity-wide statements.



LORAIN COUNTY GENERAL HEALTH DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2005 compared to 2004 on a cash basis:

**TABLE 1**  
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Equity in pooled cash	\$ 2,420,093	\$ 2,381,488
Total assets	<u>2,420,093</u>	<u>2,381,488</u>
Net assets		
Restricted for special purposes	419,235	394,777
Unrestricted	2,000,858	1,986,711
	<u>\$ 2,420,093</u>	<u>\$ 2,381,488</u>

As mentioned previously, net assets of Governmental activities increased \$ 38,605 during 2005. The increase was primarily associated with the General Fund and the WIC Fund.

Table 2 reflects the changes in net assets in 2005. Since the District did not prepare financial statements in this format for 2004, a comparative analysis of District-wide data is not presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2**  
Change in Net Assets

	Governmental Activities 2005
Receipts	
Program receipts	
Charges for services and sales	\$ 1,165,666
Operating grants and contributions	1,067,025
Total program receipts	<u>2,232,691</u>
General receipts	
Property and other local taxes	2,276,281
Grants and entitlements	485,106
Miscellaneous	22,080
Total general receipts	<u>2,783,467</u>
Total receipts	<u>5,016,158</u>
Disbursements	
Public health services	<u>4,977,553</u>
Excess of receipts over disbursements	38,605
Net assets, beginning of year	<u>2,381,488</u>
Net assets, end of year	<u>\$ 2,420,093</u>

LORAIN COUNTY GENERAL HEALTH DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Program receipts represent 44.5 percent of total receipts. These receipts are primarily comprised of restricted intergovernmental receipts and fees received for home health services, immunizations, inspections, and food service licenses.

General receipts represent 55.5 percent of the District's total receipts, and of this amount, 81.8 percent are local taxes.

**Governmental Activities**

If one looks at the Statement of Activities, the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services. The next two columns of the Statement entitled Program Receipts identify amounts collected through fees and grants received by the District that have a restricted use. The Net (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the services that expend general receipts, the source of which to a significant extent, is the local taxpayer. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Governmental Activities

	Total Cost of Services	Program Receipts	Net Cost of Services
Public health services	\$ 4,977,553	\$ 2,232,691	\$ 2,744,862

Property taxes and other general receipts support 55.9 percent of the governmental activities.

**The District's Funds**

Total Governmental funds had receipts of \$ 5,016,158 and disbursements of \$ 4,977,553. The greatest changes within Governmental funds occurred within the General Fund and the WIC Fund. These two fund balances increased by \$ 14,147 and \$ 13,036 respectively. The increase in fund balances is primarily attributable to decreased spending.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**General Fund Budget Highlights**

The District's budget is prepared according to Ohio law and accounts for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 the Board of Health amended the General Fund budget as necessary to reflect incremental revenues and corresponding expenditures. The Health Commissioner approves all adjustments to categories within the Board approved appropriations.

Actual receipts exceeded final budget receipts by \$ 53,887, primarily due to tax receipts and licenses, permits and fees. The final disbursements budget was \$ 4,127,067 while actual disbursements were \$ 3,674,874. The \$ 452,193 variance was primarily due to salaries and benefits and equipment disbursements being less than appropriated.

**Capital Assets and Debt Administration**

**Capital Assets**

The District currently tracks its capital assets. However, since the financial statements are presented on a cash basis, capital assets are not reflected on the District's financial statements. Instead, the acquisitions of property, plant and equipment are recorded as disbursements when paid.

**Debt**

The District has no debt obligations.

**Current Issues**

In 2006, the District's services will be expanded to encompass birth and death registrations for the City of Elyria, Ohio, which will generate additional fees.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report or need additional information, contact Kenneth G. Pearce, M.P.H. at Lorain County General Health District, 9880 S. Murray Ridge Road, Elyria, Ohio 44035, or by telephone at 440-284-3219.

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LORAIN COUNTY GENERAL HEALTH DISTRICT  
 STATEMENT OF NET ASSETS – CASH BASIS  
 DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in pooled cash	\$ 2,420,093
Total assets	2,420,093
Net assets	
Restricted for special purposes	419,235
Unrestricted	2,000,858
	\$ 2,420,093

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities				
Public health services	\$ 4,977,553	\$ 1,165,666	\$ 1,067,025	\$ (2,744,862)
General receipts				
Property taxes levied for:				
General purposes				2,276,281
Grants and entitlements not restricted to specific purposes				485,106
Miscellaneous				22,080
Total general receipts				<u>2,783,467</u>
Change in net assets				38,605
Net assets at beginning of year				2,381,488
Net assets at end of year				<u>\$ 2,420,093</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
 COMBINED STATEMENT OF CASH BASIS ASSETS AND  
 FUND BALANCES – GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General Fund	WIC Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 2,000,858	\$ 55,140	\$ 364,095	\$ 2,420,093
Total assets	<u>2,000,858</u>	<u>55,140</u>	<u>364,095</u>	<u>2,420,093</u>
Reserved for encumbrances	88,132	-	-	88,132
Unreserved, reported in:				
General fund	1,912,726	-	-	1,912,726
Special revenue funds	-	55,140	364,095	419,235
Total fund balances	<u>\$ 2,000,858</u>	<u>\$ 55,140</u>	<u>\$ 364,095</u>	<u>\$ 2,420,093</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
 CASH BASIS FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	WIC Fund	Other Governmental Funds	Totals (Memorandum Only)
Receipts				
Taxes	\$ 2,276,281	\$ -	\$ -	\$ 2,276,281
Intergovernmental				
Federal	-	611,336	362,500	973,836
State subsidy	483,888	-	192,057	675,945
Charges for services				
Home health services	44,340	-	-	44,340
Immunizations	123,975	-	-	123,975
Inspection fees	114,062	-	-	114,062
Contractual services	313,216	-	-	313,216
Licenses	70,114	-	245,363	315,477
Miscellaneous				
Other receipts	27,241	-	3,963	31,204
Other fees	132,916	-	-	132,916
Refunds	14,856	50	-	14,906
Total receipts	<u>3,600,889</u>	<u>611,386</u>	<u>803,883</u>	<u>5,016,158</u>
Disbursements				
Salaries and benefits	2,904,524	563,902	410,064	3,878,490
Travel	68,415	5,041	11,025	84,481
Office supplies	19,400	1,156	5,299	25,855
Medical supplies	130,984	2,391	694	134,069
Equipment	76,091	606	94,825	171,522
Contracts - repair/service	74,688	-	138,658	213,346
Distribution to state	58,907	-	110,532	169,439
Other expenditures	253,733	25,254	21,364	300,351
Total disbursements	<u>3,586,742</u>	<u>598,350</u>	<u>792,461</u>	<u>4,977,553</u>
Excess receipts over/(under) disbursements	14,147	13,036	11,422	38,605
Cash balance, beginning	<u>1,986,711</u>	<u>42,104</u>	<u>352,673</u>	<u>2,381,488</u>
Cash balance, ending	<u>\$ 2,000,858</u>	<u>\$ 55,140</u>	<u>\$ 364,095</u>	<u>\$ 2,420,093</u>

See accompanying notes to the basic financial statements.



LORAIN COUNTY GENERAL HEALTH DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND			
	Budget Amounts		Actual	Variance with Final Budget Positive Negative
	Original	Final		
Receipts				
Taxes	\$ 2,171,665	\$ 2,171,665	\$ 2,276,281	\$ 104,616
Intergovernmental	479,687	479,687	483,888	4,201
Licenses, permits and fees	448,500	448,500	485,407	36,907
Contractual services	425,000	425,000	313,216	(111,784)
Other receipts	20,650	20,650	27,241	6,591
Refunds	1,500	1,500	14,856	13,356
Total receipts	<u>3,547,002</u>	<u>3,547,002</u>	<u>3,600,889</u>	<u>53,887</u>
Disbursements				
Salaries and benefits	2,888,600	3,064,600	2,904,524	160,076
Travel	77,000	87,000	68,415	18,585
Office supplies	25,000	32,050	29,585	2,465
Medical supplies	108,000	166,238	151,694	14,544
Equipment	106,000	224,686	105,744	118,942
Contracts - repair/service	142,500	154,900	88,332	66,568
Distribution to state	50,000	73,472	66,433	7,039
Other expenditures	299,000	324,121	260,147	63,974
Total disbursements	<u>3,696,100</u>	<u>4,127,067</u>	<u>3,674,874</u>	<u>452,193</u>
Excess receipts over/(under) disbursements	<u>(149,098)</u>	<u>(580,065)</u>	<u>(73,985)</u>	<u>506,080</u>
Other financing sources (uses)				
Advances-out	(60,000)	(60,000)	-	60,000
Transfers-out	(40,000)	(40,000)	-	40,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Excess receipts over/(under) disbursements and other sources (uses)	(249,098)	(680,065)	(73,985)	606,080
Fund balance beginning of year	1,950,439	1,950,439	1,950,439	-
Prior year encumbrances	<u>36,272</u>	<u>36,272</u>	<u>36,272</u>	<u>-</u>
Fund balance end of year	<u>\$ 1,737,613</u>	<u>\$ 1,306,646</u>	<u>\$ 1,912,726</u>	<u>\$ 606,080</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS) – WIC FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	WIC FUND			
	Budget Amounts		Actual	Variance with Final Budget Positive Negative
	Original	Final		
Receipts				
Intergovernmental	\$ 562,000	\$ 593,538	\$ 611,336	\$ 17,798
Refunds	-	-	50	50
Total receipts	562,000	593,538	611,386	17,848
Disbursements				
Salaries and benefits	531,000	572,350	563,902	8,448
Travel	4,500	5,300	5,041	259
Office supplies	3,000	3,000	1,156	1,844
Medical supplies	10,000	8,590	2,391	6,199
Equipment	-	610	606	4
Other expenditures	13,500	30,067	25,254	4,813
Total disbursements	562,000	619,917	598,350	21,567
Excess receipts over/(under) disbursements	-	(26,379)	13,036	39,415
Fund balance beginning of year	42,104	42,104	42,104	-
Prior year encumbrances	-	-	-	-
Cash balance, ending	\$ 42,104	\$ 15,725	\$ 55,140	\$ 39,415

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 1 - DESCRIPTION OF THE GENERAL HEALTH DISTRICT AND REPORTING ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Lorain County General Health District, (the District) as a body corporate and politic. An eight member Board, including a Health Commissioner govern the District which provides health services to the community including education and prevention of disease.

**REPORTING ENTITY**

A reporting entity is comprised of the primary governments, component units and other organizations ensuring that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. They comprise the District's legal entity which provides services associated with immunization, vital statistics, health related licenses and permits, disease prevention and control, public health nursing, water and solid waste programs and emergency preparedness programs.

The Lorain County Commissioners are the taxing authority for the District. The Lorain County Auditor and the Lorain County Treasurer are responsible for fiscal control of the resources of the District.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits.

The District's Basic Financial Statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the District.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. FUND ACCOUNTING

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The District utilizes the governmental category of funds.

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the District's major governmental funds:

General Fund - is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Women, Infants and Children (WIC) Fund – this fund receives federal grant funds which are used to provide services through the Special Supplemental Nutrition Program.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

C. MEASUREMENT FOCUS

The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

D. BASIS OF ACCOUNTING

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. 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.

F. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Acquisitions of property are not reflected as an asset under the basis of accounting the District uses.

G. COMPENSATED ABSENCES

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The cash basis of accounting does not recognize unpaid leave as a liability.

H. LONG-TERM OBLIGATIONS

The District did not have any bonds or other long-term debt obligations.

I. INTERFUND RECEIVABLES/PAYABLES

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses.

J. NET ASSETS

These statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

K. FUND BALANCE RESERVES AND DESIGNATIONS

In the fund financial statement, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. BUDGETARY PROCESS

The Ohio Revised Code requires that all funds be budgeted and appropriated. The major documents prepared are the appropriations resolution and certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Health may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Health uses the fund/function level as its legal level of control.

The District amends the certificate of estimated resources during the year if the District receives additional or new sources of funds. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the District.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the District during the year.

Budget versus actual statements for major funds are presented as part of the financial statements.

The following adjustment is necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Balance	
Budget basis	\$ (73,985)
Adjustment for encumbrances	88,132
Cash basis, as reported	\$ 14,147

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The financial statements now include entity-wide financial statements, which present information for the District as a whole, and fund financial statements, which present information for individual major funds rather than by fund type. Non-major funds are presented in one column.

The District also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - CASH BALANCES**

The Health District's cash pool, used by all funds, is deposited with the Lorain County Treasurer. The cash pool is commingled with Lorain County's cash and investment pool and is not identifiable as to demand deposits or investments. The carrying amount of cash on deposit with the Lorain County Treasurer at December 31, 2005 was \$ 2,420,093.

**NOTE 5 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Health. The Ohio Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State of Ohio, and are reflected in the accompanying financial statements as intergovernmental receipts. Tax payments are due to Lorain County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Health District. Tangible personal property is assessed by the property owners, who must file a list of such property with Lorain County by each April 30.

Lorain County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Health District.

**NOTE 6 - PENSION PLAN**

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member- Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - PENSION PLAN (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, (the most recent information available) member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2005 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. For local government employer units, the rate was 9.55% of covered payroll.

The District's contributions for pension obligations to the traditional, combined, and member directed plans for the year ended December 31, 2005 was \$ \$ 401,467. 92.6% has been contributed for 2005, with the remaining 7.4%, which is the December 2005 employer match, to be paid in January 2006.

NOTE 7 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005, employer contribution rate was 9.55 percent of covered payroll and 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund post employment benefits were \$ 118,513. The actual contribution and the actuarial required contribution amounts are the same. OPERS' net assets available for the payment of benefits at December 31, 2004, was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.



LORAIN COUNTY GENERAL HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7 - POSTEMPLOYMENT BENEFITS (continued)

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 8 - RISK MANAGEMENT

The Health District has obtained commercial insurance for comprehensive property and general liability, vehicles, and errors and omissions. Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in coverage from prior years. Full-time Health District employees are provided health, dental and vision insurance coverage through Lorain County through various paid premium plans.

NOTE 9 - 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 significant.

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LORAIN COUNTY GENERAL HEALTH DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31,2005

Federal Grantor / Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed through the Ohio Department of Health			
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	4710011CL05/06	\$ 598,306
Total U.S. Department of Agriculture			598,306
 <u>U.S. Department of Health and Human Services</u>			
Passed through the Ohio Department of Health			
Immunization Action Plan	93.268	4710012AZ05	45,947
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93-283	4710012BI05/06	261,920
Total U.S. Department of Health and Human Services			307,867
 <u>U.S. Department of Transportation</u>			
Passed through the Office of the Governor's Highway Safety Representative			
Traffic Safety Grant	20.600	47000HD05177.2/ 47000HD06149.0	34,857
Total U.S. Department of Transportation			34,857
Total Federal Awards Expenditures			\$ 941,030

See accompanying notes to the Federal schedule.

**LORAIN COUNTY GENERAL HEALTH DISTRICT  
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Health District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**CFDA** – Catalog of Federal Domestic Assistance



# 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*

Lorain County General Health District  
Lorain County  
9880 South Murray Ridge Road  
Elyria, Ohio 44035

To the Board of Health:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lorain County General Health District, Lorain County, Ohio, (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2007, wherein we noted the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated November 1, 2007, we reported other matters related to noncompliance we deemed immaterial.

Lorain County General Health District  
Lorain County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Health, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 1, 2007



# Mary Taylor, CPA

Auditor of State

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

Lorain County General Health District  
Lorain County  
9880 South Murray Ridge Road  
Elyria, Ohio 44035

To the Board of Health:

### Compliance

We have audited the compliance of Lorain County General Health District, Lorain 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 apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Lorain County General Health District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

### Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Health, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 1, 2007



**LORAIN COUNTY GENERAL HEALTH DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Center for Disease Control and Prevention – Investigations and Technical Assistance CFDA# 93.283
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**GENERAL HEALTH DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 29, 2007**