



**Auditor of State
Betty Montgomery**

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Sidney-Shelby County Board of Health
Shelby County
202 W. Poplar Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney-Shelby County Board of Health, Shelby County, (the Board of Health), as of and for the year ended December 31, 2004, which collectively comprise the Board of Health's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Health'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 opinion.

As discussed in Note 1, 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 Sidney-Shelby County Board of Health, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Board of Health 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 August 18, 2005, on our consideration of the Board of Health'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is 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.

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

Betty Montgomery
Auditor of State

August 18, 2005

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Sidney-Shelby County Board of Health's financial performance provides an overall review of the Board of Health's financial activities for the year ended December 31, 2004, within the limitations of the Board of Health's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board of Health's financial performance.

HIGHLIGHTS

Key highlights for 2004 are as follows:

	<u>2003</u>	<u>2004</u>
Revenue	\$1,563,131	\$1,735,065
Expenditures	\$1,592,924	\$1,849,592

Increases in revenues and expenditures in 2004 compared to 2003 are primarily due to: 1) The Board of Health became responsible for administering the Shelby County Help Me Grow Program in July 2004; and 2) The Board of Health experienced a significant increase in the Public Health Infrastructure Grant during 2004.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board of Health'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 Board of Health as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Board of Health as a way to segregate money whose use is restricted to a particular specified purpose.

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. The Board of Health 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 Board of Health's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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.

REPORTING THE BOARD OF HEALTH AS A WHOLE

The Sidney-Shelby County Board of Health was established to exercise the rights, privileges, and responsibilities conveyed to it by the constitution and laws of the State of Ohio. The Board of Health is directed by a five-member Board that appoints a Health Commissioner as its Executive Officer. The Board of Health's public health programs promote protection from food-borne illness, contaminated water supplies, sewage, solid waste, communicable disease, and public health nuisances. Public health provides coordination of medical, nursing, and support services for prevention, early diagnosis and treatment of disease, and disability and rehabilitation when necessary. Services are provided to families, businesses and industries, government and community organizations.

The statement of net assets and the statement of activities reflect how the Board of Health did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the activities of the Board of Health at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's services, and grants and contributions restricted to meeting the operational 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 Board of Health's general receipts.

These statements report the Board of Health'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 Board of Health's financial health. Over time, increases or decreases in the Board of Health's cash position is one indicator of whether the Board of Health's financial health is improving or deteriorating.

When evaluating the Board of Health's financial condition, you should also consider other non-financial factors as well, such as the Board of Health's property tax base, the extent of the Board of Health's debt obligations, 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.

In the statement of net assets and the statement of activities, all Board of Health activities are reported as governmental. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

REPORTING THE BOARD OF HEALTH'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Board of Health's major funds – not the Board of Health as a whole. The Board of Health establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used, and is being spent for the intended purpose.

All of the Board of Health's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the Board of Health's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board of Health's programs. The Board of Health's significant Governmental fund is presented on the financial statements in a separate column.

The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board of Health's major Governmental fund is the General Health Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental Activities section of the entity-wide statements.

THE BOARD OF HEALTH AS A WHOLE

Table 1 provides a summary of the Board of Health's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)		
Net Assets		
Governmental Activities		
	<u>2004</u>	<u>2003</u>
Assets		
Cash and Cash Equivalents	\$311,360	\$425,887
Total Assets	<u>311,360</u>	<u>425,887</u>
Net Assets		
Restricted for Other Purposes	100,053	109,005
Unrestricted	<u>211,307</u>	<u>316,882</u>
Total Net Assets	<u>\$311,360</u>	<u>\$425,887</u>

Table 2 reflects the changes in net assets in 2004. Since the Board of Health did not prepare financial statements in this format for 2003, a comparative analysis of District-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2004
Receipts:	
Program Receipts:	
Charges for Services	\$ 879,279
Operating Grants	284,174
Total Program Receipts	1,163,453
General Receipts:	
General Property Taxes	568,320
Miscellaneous	3,292
Total General Receipts	571,612
Total Receipts	1,735,065
Disbursements:	
Public Health Services	1,835,387
Capital Outlay	14,205
Total Disbursements	1,849,592
Increase (Decrease) in Net Assets	(114,527)
Net Assets, January 1, 2004	425,887
Net Assets, December 31, 2004	\$ 311,360

Disbursements for the Board of Health represent the overhead costs of running the Board of Health and the support services provided for the other Board of Health activities. These include primarily the costs of personnel and personnel support, as the primary product of the Board of Health is preventive health services which are labor-intensive.

Capital outlay signifies the disbursements for equipment for use in administering the Board of Health's services.

Governmental Activities

If you look at the Statement of Activities (Table 3) below, you will see that the first column lists the major services provided by the Board of Health. The next column identifies the costs of providing these services. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service as well as grants received by the Board of Health that must be used to provide a specific service.

The Net Cost (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2004	Program Receipts 2004	Net Cost of Services 2004
Public Health Services	\$1,835,387	\$1,163,453	\$671,934
Capital Outlay	14,205	0	14,205
Total Expenses	\$1,849,592	\$1,163,453	\$686,139

THE BOARD OF HEALTH'S FUNDS

Total Board of Health funds had receipts of \$1,735,065 and disbursements of \$1,849,592. Net assets of the Board of Health were \$425,887 for 2003 and \$311,360 for 2004.

GENERAL FUND BUDGETING HIGHLIGHTS

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

During 2004, the Board of Health amended its General fund budget to reflect changing circumstances.

CAPITAL ASSETS

The Board of Health does not currently keep track of its capital assets and infrastructure. The Board of Health has not made plans to track this, as it is not required by current law.

DEBT

At December 31, 2004, the Board of Health's outstanding debt included future lease payments for the office facility and large office equipment, as well as accumulated sick and vacation leave balances for the District's employees. For further information regarding the Board of Health's debt, refer to the notes to the basic financial statements.

CURRENT ISSUES

The challenge for all Boards of Health is to provide high quality preventive health services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. With the recent passage of a new levy for operating expenses, we can predict moderate increases in the total dollar amount in local tax receipts in the next ten years. With these resources, along with conservative spending, the Board of Health can continue its slow rate of financial growth, and can be assured that basic service provision can continue even with shrinkage of grant funding. We plan to continue the same programs, with only minor changes, for the next few years.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

CONTACTING THE BOARD OF HEALTH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board of Health's finances and to reflect the Board of Health's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert M. Mai, Health Commissioner, Sidney-Shelby County Health District, 202 W. Poplar Street, Sidney, OH 45365.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2004**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$311,360</u>
Total Assets	<u><u>\$311,360</u></u>
Net Assets	
Restricted for:	
Other Purposes	100,053
Unrestricted	<u>211,307</u>
Total Net Assets	<u><u>\$311,360</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges	Operating	Governmental
	Disbursements	for Services and Sales	Grants and Contributions	Activities
Governmental Activities				
Health	\$1,835,387	\$879,279	\$284,174	(\$671,934)
Capital Outlay	14,205			(14,205)
Total Governmental Activities	1,849,592	879,279	284,174	(686,139)
General Receipts				
Property Taxes Levied for:				
General Purposes				568,320
Miscellaneous				3,292
Total General Receipts				571,612
Change in Net Assets				(114,527)
Net Assets Beginning of Year				425,887
Net Assets End of Year				\$311,360

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$174,425	\$136,935	\$311,360
Fund Balances			
Unreserved:			
Undesignated, Reported in:			
General Fund	174,425		174,425
Special Revenue Funds		136,935	136,935
Total Fund Balances	\$174,425	\$136,935	\$311,360

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Property Taxes	\$568,320		\$568,320
Intergovernmental	45,280	\$214,628	259,908
Local Grant Funding	3,500	20,766	24,266
Licenses, Permits, and Fees	106,241	332,161	438,402
Charges for Services	185,031	255,846	440,877
Miscellaneous	3,292		3,292
Total Receipts	<u>911,664</u>	<u>823,401</u>	<u>1,735,065</u>
Disbursements			
Current:			
Health	1,020,292	815,095	1,835,387
Capital Outlay		14,205	14,205
Total Disbursements	<u>1,020,292</u>	<u>829,300</u>	<u>1,849,592</u>
Excess of Receipts Over (Under) Disbursements	(108,628)	(5,899)	(114,527)
Other Financing Sources (Uses)			
Advances In		1,000	1,000
Advances Out	(1,000)		(1,000)
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>1,000</u>	
Net Change in Fund Balances	(109,628)	(4,899)	(114,527)
Fund Balances Beginning of Year	<u>284,053</u>	<u>141,834</u>	<u>425,887</u>
Fund Balances End of Year	<u><u>\$174,425</u></u>	<u><u>\$136,935</u></u>	<u><u>\$311,360</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$582,000	\$582,000	\$568,320	(\$13,680)
Intergovernmental	38,000	38,000	45,280	7,280
Local Grant Funding			3,500	3,500
Charges for Services	93,375	93,375	106,241	12,866
Licenses, Permits, and Fees	173,000	177,000	185,031	8,031
Miscellaneous	2,047	2,047	3,292	1,245
Total Revenues	888,422	892,422	911,664	19,242
Expenditures				
Current:				
Health	1,078,920	1,035,920	1,020,292	15,628
Total Expenditures	1,078,920	1,035,920	1,020,292	15,628
Excess of Revenues Over (Under) Expenditures	(190,498)	(143,498)	(108,628)	34,870
Other Financing Sources (Uses)				
Advances In	3,000	3,000		(3,000)
Advances Out	(30,000)	(73,000)	(1,000)	72,000
Total Other Financing Sources (Uses)	(27,000)	(70,000)	(1,000)	69,000
Net Change in Fund Balance	(217,498)	(213,498)	(109,628)	103,870
Fund Balance Beginning of Year	284,053	284,053	284,053	
Fund Balance End of Year	\$66,555	\$70,555	\$174,425	\$103,870

See accompanying notes to the basic financial statements.

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**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 Sidney-Shelby County Board of Health, Shelby County, (the Board of Health) as a body corporate and politic.

A five-member Board and a Health Commissioner govern the Board of Health which provides health services and issues health-related licenses and permits. They also act upon various complaints made to the Board of Health concerning the health and welfare of the County.

Reporting Entity

A reporting entity is comprised of the primary government, 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 Board of Health. For acceptable OCBOA, this includes general operations, immunization, vital statistics, health related licenses and permits, disease prevention and control, homemaker and public health nursing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements follow the cash basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Board of Health 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 adequately disclose material matters the Auditor of State's accounting basis requires.

A. Fund Accounting

The Board of Health uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self balancing set of accounts. The Board of Health classifies each fund as either governmental, proprietary or fiduciary.

1. **Governmental Funds** - The Board of Health classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following is the Board of Health's major governmental funds:

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

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

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The Board of Health's basic financial statements consist of government-wide statement of activities and fund financial statements providing more detailed financial information.

- 1. Government-wide Financial Statement of Activities:** This statement displays information about the Board of Health as a whole.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Board of Health's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the Board of Health's general receipts.

- 2. Fund Financial Statements** - The fund financial statements report more detailed information about the Board of Health. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the Board of Health's cash. The County's cash and investment pool holds the Board of Health's assets, valued at the County Treasurer's reported carrying amount.

D. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

E. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these items as assets.

F. Compensated Absences

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

G. Fund Balance Reserves

The Board of Health reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

I. Budgetary Data

The major documents prepared are the tax budget, the appropriation resolution and the 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Health uses the object level within each fund and function as its legal level of control.

The certificate of estimated resources may be amended during the year if the Board of Health projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

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

3. CHANGE IN PRESENTATION

For the year ended December 31, 2004, the Board of Health implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Although the Board of Health is reporting on the cash basis they have implemented new reporting requirements for cash basis financial statements that changed the fund structure.

4. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the Board of Health's appropriations over other estimated receipts among the townships and municipalities composing the Board of Health, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the Board of Health. The financial statements present these amounts as intergovernmental receipts.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. PROPERTY TAXES

The County Commissioners serve as a special taxing authority to levy special levies (0.3 mill/10 years and 0.2 mill/10 years) outside the property tax ten-mill limitation to provide the Board of Health with sufficient funds to carry out health programs and general operations. The County Commissioners have placed a countywide levy of 1.0 mill on the ballot that gained approval by the electors of the county.

6. RISK MANAGEMENT

A. Risk Pool Membership

The Board of Health 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

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 local government.

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.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

B. Medical Benefits

The Board of Health provides employee medical benefits through a risk-sharing pool that Shelby County is a participant in. The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays a premium to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

For 2004, the Board of Health, through Shelby County as their fiscal agent, participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the GRP"), an insurance purchasing pool.

The intent of the GRP is to achieve a reduced premium for the Board of Health by virtue of its grouping with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

7. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

The Board of Health participates in the OPERS which administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

OPERS issues a stand alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, members of all three plans, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The District's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the traditional, combined, and member directed plans for the years ended December 31, 2004, 2003, and 2002 were \$92,635, \$79,472, and \$72,615, respectively; 87 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002.

8. 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 recipients and primary survivor 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 Post employment Benefit (OPB) 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 2004 employer contribution rate was 13.55 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's latest actuarial review performed as of December 31, 2003, 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 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$27,790. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

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 material.

10. CONTRACTUAL OBLIGATIONS

The Board of Health is a party to a ten year lease for rental of office space. This lease was effective July 1, 2004 and terminates June 30, 2014. This lease requires the Board of Health to remit monthly payments. The monthly lease payment amount for 2005 is \$3,044.74 and the payments decline over the life of the lease.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Sidney-Shelby County Board of Health
Shelby County
202 W. Poplar Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney-Shelby County Board of Health, Shelby County, (the Board of Health), as of and for the year ended December 31, 2004, which collectively comprise the Board of Health's basic financial statements and have issued our report thereon dated August 18, 2005. In that report, we noted the Board of Health revised its financial statement presentation for 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Health's internal control over financial reporting to determine our auditing procedures in order 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. In a separate letter to the Board of Health's management dated August 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Board of Health'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 Board of Health's management dated August 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Sidney-Shelby County Board of Health
Shelby 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 management and the Board of Health. It is not intended for 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

August 18, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
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SIDNEY – SHELBY COUNTY BOARD OF HEALTH

SHELBY 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 4, 2005**