



**Auditor of State
Betty Montgomery**

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

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**Auditor of State
Betty Montgomery**

Noble County General Health District
Noble County
44069 State Route 821
Caldwell, Ohio 43724

To the Members of the District Board of Health:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 25, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Noble County General Health District
Noble County
44069 State Route 821
Caldwell, Ohio 43724

To the Members of the Board of Health:

We have audited the accompanying financial statement of Noble County General Health District, Noble County, Ohio (the Health District), as of and for the year ended December 31, 2005. This financial statement is the responsibility of the Health District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, 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 statement is 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.

Medicare claim payment reimbursement receipts reported in the General Fund and the Special Revenue Public Health Nursing Fund, Child and Family Health Services Fund and Family Planning Fund are processed by a third-party administrator. The third-party administrator qualifies as a service organization as defined by Statement on Auditing Standards (SAS) No. 70, *Reports on the Processing of Transactions by Service Organizations*, (as amended by SAS No. 88). The service organization obtained a report on controls placed in operation and tests of operating effectiveness, but did not provide this report to the Health District as requested. The service organization provided claims processing services, including a review of appropriate service coding and the determination of eligible services over which assurances could not be obtained at the Health District level. As a result, we were unable to satisfy ourselves regarding the Medicare claim payment receipts reported as Charges for Services in the General Fund, Special Revenue Public Health Nursing Fund, the Special Revenue Child and Family Services Fund and the Special Revenue Family Planning Fund, in the combined Special Revenue Funds. Those receipts represent 1.8% of the receipts of the General Fund total receipts and 18.5% of the receipts of the Special Revenue Fund type total receipts.

As described more fully in Note 1, the Health District has prepared the financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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Revisions to GAAP would require the Health District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statement presents for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. While the Health District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Health District has elected not to reformat its statement. Since this Health District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Noble County General Health District, Noble County, as of December 31, 2005, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Medicare claim payment reimbursement receipts as discussed in the third paragraph, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Noble County General Health District, Noble County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Health District to include Management's Discussion and Analysis for the year ended December 31, 2005. The Health District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006, on our consideration of the Health 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.



Betty Montgomery
Auditor of State

September 25, 2006

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Property Taxes	\$144,236	\$	\$	\$144,236
Federal Awards		407,885		407,885
Intergovernmental	24,927	40,883		65,810
Charges for Services	80,892	754,237		835,129
Fees	7,013			7,013
Licenses and Permits	2,888	65,159		68,047
Other Receipts	4,086	7,115	276	11,477
Total Cash Receipts	<u>264,042</u>	<u>1,275,279</u>	<u>276</u>	<u>1,539,597</u>
Cash Disbursements:				
Salaries	129,459	731,308		860,767
Supplies	15,624	37,758		53,382
Remittances to State	3,105	2,388		5,493
Equipment	2,340	28,190		30,530
Contracts - Repair	50			50
Contracts - Services	24,348	155,641		179,989
Travel	4,932	38,423		43,355
Insurance	22,623	88,088		110,711
Medicare	1,240	7,736		8,976
Public Employee's Retirement	17,324	96,727		114,051
Worker's Compensation	1,448	11,878		13,326
Unemployment Compensation		400		400
Other	4,860	18,082	372	23,314
Total Cash Disbursements	<u>227,353</u>	<u>1,216,619</u>	<u>372</u>	<u>1,444,344</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>36,689</u>	<u>58,660</u>	<u>(96)</u>	<u>95,253</u>
Other Financing Receipts/(Disbursements):				
Advances-In	63,134	284,134		347,268
Advances-Out	(51,134)	(296,134)		(347,268)
Other Sources			158,272	158,272
Other Uses			(168,369)	(168,369)
Total Other Financing Receipts/(Disbursements)	<u>12,000</u>	<u>(12,000)</u>	<u>(10,097)</u>	<u>(10,097)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>48,689</u>	<u>46,660</u>	<u>(10,193)</u>	<u>85,156</u>
Fund Cash Balances, January 1	<u>2,817</u>	<u>104,234</u>	<u>10,240</u>	<u>117,291</u>
Fund Cash Balances, December 31	<u><u>\$51,506</u></u>	<u><u>\$150,894</u></u>	<u><u>\$47</u></u>	<u><u>\$202,447</u></u>
Reserves for Encumbrances, December 31	<u><u>\$3,459</u></u>	<u><u>\$17,649</u></u>	<u><u>\$0</u></u>	<u><u>\$21,108</u></u>

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

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**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Noble County General Health District, Noble County (the Health District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A five-member Board and a Health Commissioner govern the Health District. The Health District's services include communicable disease investigations, home health, issuing birth and death certificates, immunization clinics, inspections, public health nursing services and issuing health-related licenses and permits.

The Health District's management believes this financial statement presents all activities for which the Health District is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Health District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement adequately discloses material matters the Auditor of State's accounting basis requires.

C. Cash

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

D. Fund Accounting

The Health District uses fund accounting to segregate cash and investments that are restricted as to use. The Health District classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

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

Women, Infants, and Children (WIC) Fund - This receives federal money passed through the Ohio Department of Health to operate the Special Supplemental Nutrition Program.

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Home Health Nursing Services (HH) Fund - This fund receives fees for services from Medicare, Medicaid, other agencies and insurance companies for providing home health visits to residents of Noble County.

Public Health Infrastructure Fund (PHI) – This fund receives federal grant money passed through Ohio Department of Health to increase public health emergency response and planning services for Noble County.

Help Me Grow Fund (HMG) – This fund receives charges for services from contracts with other agencies to provide services for children of Noble County.

Breast and Cervical Cancer Project (BCCP) – This fund receives federal grant money passed through the Ohio Department of Health for the recruitment of age and income eligible women from a ten county region, to receive breast and cervical cancer screening and the case management of those women recruited.

3. Fiduciary Funds (Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Health District is acting in an agency capacity. The Health District had the following significant Fiduciary Fund:

Health Insurance Fund – This Agency Fund receives employee deductions and the employer share for health care and life insurance premiums.

E. Budgetary Process

The Ohio Revised Code requires the Health District to budget each fund annually (except certain agency funds).

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

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

A summary of 2005 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Health District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,937	\$264,042	\$23,105
Special Revenue	1,286,312	1,275,279	(11,033)
Fiduciary	425	276	(149)
Total	\$1,527,674	\$1,539,597	\$11,923

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$253,105	\$230,812	\$22,293
Special Revenue	1,292,092	1,234,268	57,824
Fiduciary	500	372	128
Total	\$1,545,697	\$1,465,452	\$80,245

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

3. PROPERTY TAXES

As a special taxing authority under Ohio Revised Code Section 3709.29, the Noble County Commissioners levy a one-mill levy for the operation of the Health District. This relieves the townships and villages of Noble County of the costs of operating the Health District. The financial statement presents these amounts as property taxes.

Real property taxes become a lien on January 1 preceeding the October 1 date for which rates are adopted by Board. The State 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, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Health District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

4. RETIREMENT SYSTEM

The Health District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their gross salaries. The Health District contributed an amount equal to 13.55 percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2005.

5. RISK MANAGEMENT

The Health District is a member of the Public Entities Pool of Ohio (PEP). The PEP assumes risk loss up to limits of the Health District's policy. The PEP may assess supplemental premiums. This risk pool membership is further disclosed in Note 6 to the financial statements. The following risks are covered by the PEP:

- Legal Liability for Third Party Claims, including:
 - ❖ Employee Benefits Liability;
 - ❖ Medical Expense;
 - ❖ Legal Liability – Real and Personal Property;
 - ❖ Broad Legal Defense;
 - ❖ Injunctive Relief;
 - ❖ Sewer Backup Pollution;
 - ❖ Anti-skid Material Pollution Coverage;

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

5. RISK MANAGEMENT (Continued)

- ❖ Chlorine Pollution;
- ❖ UST Pollution;
- ❖ Non-owned and Hired Automobile;
- ❖ Explosion, Collapse and Underground Hazard;
- ❖ Independent Contractors;
- ❖ Personal/Advertising;
- ❖ Host Liquor;
- ❖ Employer's Liability – Stop Gap;
- ❖ Fellow Employee;
- ❖ Special Events; and
- ❖ Good Samaritan

- Wrongful Acts – Public Officials, including employment practices and zoning

The Health District has also obtained commercial insurance for employee dishonesty.

The Health District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Health District also provides health and life insurance coverage to full-time employees through a private carrier.

6. RISK POOL MEMBERSHIP

The Health District is exposed to various risks of property and casualty losses, and injuries to employees.

The Health District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005:

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$29,719,675
Liabilities	(15,994,168)
Retained earnings	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$4,443,332
Liabilities	(1,068,245)
Retained earnings	<u>\$3,375,087</u>

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2005
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Health District's share of these unpaid claims is approximately \$7,361.

7. CONTINGENT LIABILITIES

Management is not aware of any pending litigation against the Health District.

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, the management believes such refunds, if any, would not be material.

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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

Noble County General Health District
Noble County
44069 State Route 821
Caldwell, Ohio 43724

To the Members of the District Board of Health:

We have audited the financial statement of the Noble County General Health District, Noble County, Ohio (the Health District), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 25, 2006, wherein we noted the Health District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we were not provided with sufficient evidence regarding Medicare claim payment reimbursement receipts in the General Fund, Special Revenue Public Health Nursing Fund, Special Revenue Child and Family Health Services Fund and Special Revenue Family Planning Fund. Except for the matter relating to Medicare claim payment reimbursement receipt transactions discussed above, 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 Health District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Health District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statement. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

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 statement we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Health District's management dated September 25, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Health District's financial statement is 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 Health District's management dated September 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the District Board of Health. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 25, 2006

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Material Weakness – Lack of Service Organization Auditing Procedures

Statement on Auditing Standard (SAS) No. 78, *Consideration of Internal Control in a Financial Statement Audit*, defines the importance of internal control as it relates to reliable financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. In certain situations, an entity's internal control is not limited to the controls in place within the entity's physical capacity or internal operations that extend beyond the entity. This can occur if an entity uses another organization to perform services that affect the entity's ability to record, process, summarize, and report financial information in its financial statements. Statement on Auditing Standards (SAS) 70, *Reports on the Processing of Transactions by Service Organizations*, as amended, Type Two Report is often the best way we can gain an understanding of the service organization's controls and evidence that the controls are operating effectively. Service organization controls are part of a government's information system if they affect any of the following:

- How transactions are initiated
- Accounting records, supporting information, and specific accounts in the financial statements involved in the processing and reporting of the government's transactions ;
- Accounting processing involved from the initiation of transactions to their inclusion in the financial statements, including electronic means used to transmit, process, maintain, and access information; or
- Financial reporting processes used to prepare the government's financial statements, including significant accounting estimates and disclosures.

The Health District's patient Medicare claims processing was a significant accounting function. The Health District was mandated to process Medicare claims through a certain third-party administrator. The Health District's third-party administrator obtained a report on controls placed in operation and tests of operating effectiveness to help ensure the Health District the third-party administrator had established procedures to determine that sufficient controls were in place and operating effectively to reduce the risk that Medicare claims had not been completely and accurately processed in accordance with the Medicare contract.

However, the third-party administrator did not provide the Health District with a copy of its most current report on controls placed in operation and tests of operating effectiveness. The Health District's third-party administrator provided claims processing services, including a review of appropriate service coding and the determination of eligible services over which assurances could be obtained at the Health District level.

We recommend the Health District implement procedures to annually obtain a copy of the third-party administrator's report on controls placed in operation and tests of operating effectiveness. The Health District should review the report to obtain an appropriate level of assurance that Medicare claim transactions are being processed in conformance with the contract.

Officials Response:

The officials declined to respond to this finding.

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	A material weakness was issued regarding the lack of service organization auditing procedures for patient Medicare claims processing.	No	Not corrected; this finding is reported as finding 2005-001.
2004-002	A reportable condition was issued regarding advancing cash from one fund to another with dissimilar purposes and failure to repay certain advances in a timely manner.	No	Partially corrected. The Health District significantly reduced the number of advances in the 4 th quarter of 2005 and all advances were repaid timely during 2005. The finding is reported in a separate letter issued to management.

**NOBLE COUNTY GENERAL HEALTH DISTRICT
NOBLE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The Fiscal Officer plans to contact the third-party administrator concerning obtaining a copy of the report over internal controls.	Ongoing	Shawn Ray, Health Commissioner/Fiscal Officer



**Auditor of State
Betty Montgomery**

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GENERAL HEALTH DISTRICT

NOBLE 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 9, 2006**