



Mary Taylor, CPA
Auditor of State

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Belmont County
68501 Bannock Road
St. Clairsville, Ohio 43950

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 District Board of Health, Belmont County, Ohio (the Health District), as of and for the year ended December 31, 2005, which collectively comprise the Health District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health 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.

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 District Board of Health, Belmont County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and Women, Infants and Children and Public Health Infrastructure 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 Health 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 February 2, 2007, 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.

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.

We conducted our audit to opine on the financial statements that collectively comprise the Health District's basic financial statements. The Federal Awards Expenditures 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 not a required part of the basic financial statements. We subjected the Federal Awards Expenditures 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 2, 2007

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the District Board of Health's financial performance provides an overall review of the Health District's financial activities for the year ended December 31, 2005, within the limitations of the Health District's cash basis of accounting. The intent of this discussion and analysis is to look at the Health District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Health District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$131,346 or 19.7 percent.
- The Health District's general receipts accounted for \$424,317 in receipts or 29.3 percent of all receipts, and are primarily unrestricted grants and entitlements. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$1,025,307 or 70.7 percent of total receipts of \$1,449,624.
- The Health District had \$1,318,278 in disbursements related to governmental activities; only \$1,025,307 of these disbursements were offset by program specific charges for services and operating grants and contributions. General receipts of \$424,317 were adequate to provide for these programs.
- The Health District had three major funds; the General Fund, the Women, Infants and Children Fund and the Public Health Infrastructure Fund. The General Fund had \$501,713 in receipts and \$445,497 in disbursements. The General Fund's cash balance increased \$56,216. The Women, Infants and Children Fund had \$337,547 in receipts and \$318,846 in disbursements. The Women, Infants and Children Fund's cash balance increased \$18,701. The Public Health Infrastructure Fund had \$133,091 in receipts and \$160,777 in disbursements. The Public Health Infrastructure Fund's cash balance decreased \$27,686.

Using the Basic Financial Statement

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 Health District's cash basis of accounting.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District Board of Health as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at the specific financial activities and conditions on a cash basis of accounting.

Report Components

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the cash activities of the Health District as a whole, presenting both the aggregate view of the Health District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Health District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The notes to the financial statements are an integral part of the government-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 Health 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 Health District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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 Health District as a Whole

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Health District did financially during 2005, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Health District at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for the governmental activity. Program receipts include charges paid by the recipient of the program's goods or services and operating grants and contributions restricted to meeting the operational requirements of the 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 Health District's general receipts.

These statements report the Health 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 Health District's financial health. Over time, increases or decreases in the Health District's cash position are indicators of whether the Health District's financial health is improving or deteriorating. When evaluating the Health District's financial condition, you should also consider other non-financial factors as well, such as the Health District's property tax base, the condition of the Health District's capital assets, the reliance on non-local financial resources for operations and the need for continued growth.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Health District's activities consist of:

Governmental activities. The Health District's health services are reported here. Charges for services and state and federal grants finance most of these activities. To a significant extent, benefits provided through governmental activities are being paid for by the people receiving them.

Reporting the Health District's Most Significant Funds

Fund financial statements provide detailed information about the Health District's major funds – not the Health District as a whole. The Health District 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 is being spent for the intended purpose. All of the operating funds of the Health District are governmental.

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Fund – The Health District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Health District's governmental operations and the health services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Health District's health programs. The Health District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Health District's major governmental funds are the General Fund, Women, Infants and Children Fund and the Public Health Infrastructure Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Health District as a Whole

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

Table 1
Net Assets – Cash Basis

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	\$798,184	\$666,838
Total Assets	<u>798,184</u>	<u>666,838</u>
Net Assets		
Restricted for:		
Other Purposes:		
Women, Infants and Children	55,765	37,064
Public Health Infrastructure	32,171	59,857
Immunization Action Planning	21	628
Welcome Home Newborn	6,735	10,693
Family Planning Program	59,663	27,996
Miscellaneous Purposes	19,913	7,800
Unrestricted	<u>623,916</u>	<u>522,800</u>
Total Net Assets	<u>\$798,184</u>	<u>\$666,838</u>

As mentioned previously, net assets of governmental activities increased \$131,346 or 19.7 percent during 2005. The increase is due primarily to an increase in the number of family planning client's during 2005, an increase in the fees charged for birth and death certificates as required by state statute and an increase in the fees charged for out-of-state tuberculosis testing, and the receipt of a new Women's Health Services grant.

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004 for governmental activities:

Table 2
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Cash Receipts		
Charges for Services	\$372,537	\$332,643
Operating Grants and Contributions	652,770	672,562
Total Program Cash Receipts	<u>1,025,307</u>	<u>1,005,205</u>
General Receipts		
Grants and Entitlements not Restricted for Specific Purposes	341,063	340,154
Other Receipts	83,254	45,263
Total General Receipts	<u>424,317</u>	<u>385,417</u>
Total Receipts	<u>1,449,624</u>	<u>1,390,622</u>
Disbursements:		
Health:		
Salaries	748,885	720,914
Supplies	18,450	22,400
Remittance to State	42,280	39,207
Equipment	50,915	27,961
Contracts – Services	90,256	99,551
Liability Insurance	4,931	3,842
Travel	30,252	27,155
Hospitalization	79,963	66,821
Medicare	4,013	3,505
Public Employee's Retirement	45,421	40,556
Worker's Compensation	3,993	4,228
Unemployment Compensation	600	600
Other Expenses	198,319	216,491
Total Disbursements	<u>1,318,278</u>	<u>1,273,231</u>
Change in Net Assets	131,346	117,391
Net Assets Beginning of Year	<u>666,838</u>	<u>549,447</u>
Net Assets End of Year	<u>\$798,184</u>	<u>\$666,838</u>

Program receipts represent 70.7 percent of total receipts and are primarily comprised of charges for services for birth and death certificates, food service licenses, trailer park, swimming pools and spas, and water system permits and state and federal operating grants and contributions.

General receipts represent only 29.3 percent of the Health District's total receipts, and of this amount, 80.4 percent are unrestricted grants and entitlements. Other receipts make up the balance of the Health District's general receipts (19.6 percent).

Disbursements for health services represent the overhead costs of running the Health District. The majority of cash disbursements were for salaries and related expenses which account for \$882,875 or 66.9 and other expenses which accounted for \$198,319 or 15.0 percent of total cash disbursements.

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities – Cash Basis on page 10, you will see that the first column lists the major services provided by the Health District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities were for salaries and related expenses and other expenses, which accounted for 66.9 and 15.0 percent of all cash disbursements, respectively. The next two columns on the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and operating grants and contributions received by the Health District that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program cash receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local townships and municipalities taxpayers and state subsidies. These net costs are paid from the general receipts which 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Health:				
Salaries	\$748,885	\$720,914	\$103,534	\$62,155
Supplies	18,450	22,400	10,526	22,400
Remittance to State	42,280	39,207	(11,570)	(14,670)
Equipment	50,915	27,961	50,915	27,961
Contracts – Services	90,256	99,551	(5,389)	5,709
Liability Insurance	4,931	3,842	3,547	3,842
Travel	30,252	27,155	16,733	17,268
Hospitalization	79,963	66,821	57,514	50,941
Medicare	4,013	3,505	2,886	2,672
Public Employee's Retirement	45,421	40,556	16,666	14,763
Worker's Compensation	3,993	4,228	2,872	3,223
Unemployment Compensation	600	600	432	457
Other Expenses	198,319	216,491	44,305	71,305
Total Disbursements	\$1,318,278	\$1,273,231	\$292,971	\$268,026

Charges for services and operating grants and contributions of \$1,025,307, or 77.8 percent of the total costs of services are received and used to fund the health expenses of the Health District. The remaining \$292,971 or 22.2 percent of health expenses is funded by unrestricted grants and entitlements and other receipts.

District Board of Health
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Health District's Funds

The Health District's governmental funds had total receipts of \$1,449,624 and disbursements of \$1,318,278. The fund balances increased \$131,346, as a result of an increase in the number of family planning client's during 2005, an increase in the fees charged for birth and death certificates as required by state statute and an increase in the fees charged for out-of-state tuberculosis testing, and the receipt of a new Women's Health Services grant.

At the end of 2005, the General Fund had a fund cash balance of \$411,018, in comparison to a 2004 fund cash balance of \$354,802.

At the end of 2005, the Women, Infants and Children Fund had a fund cash balance of \$55,765, in comparison to a 2004 fund cash balance of \$37,064.

At the end of 2005, the Public Health Infrastructure Fund had a fund cash balance of \$32,171, in comparison to a 2004 fund cash balance of \$59,857.

Budgeting Highlights

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

During the course of 2005, the Health District amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The difference between final budgeted appropriations and actual disbursements was not significant.

Contacting the Health District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Health District's finances and to reflect the Health District's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Shirley Shumaker, Clerk, District Board of Health, 68501 Bannock Road, St. Clairsville, Ohio 43950.

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Net Assets - Cash Basis
December 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$798,184
<i>Total Assets</i>	798,184
Net Assets	
Restricted for:	
Other Purposes:	
Women, Infants and Children	55,765
Public Health Infrastructure	32,171
Immunization Action Planning	21
Welcome Home Newborn	6,735
Family Planning Program	59,663
Miscellaneous Purposes	19,913
Unrestricted	623,916
<i>Total Net Assets</i>	\$798,184

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended December 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Health:				
Salaries	\$748,885	\$223,324	\$422,027	(\$103,534)
Supplies	18,450	7,449	475	(10,526)
Remittance to State	42,280	53,850		11,570
Equipment	50,915			(50,915)
Contracts - Services	90,256		95,645	5,389
Liability Insurance	4,931	1,384		(3,547)
Travel	30,252	13,519		(16,733)
Hospitalization	79,963	22,449		(57,514)
Medicare	4,013	1,127		(2,886)
Public Employee's Retirement	45,421	28,755		(16,666)
Worker's Compensation	3,993	1,121		(2,872)
Unemployment Compensation	600	168		(432)
Other Expenses	198,319	19,391	134,623	(44,305)
<i>Total Governmental Activities</i>	\$1,318,278	\$372,537	\$652,770	(292,971)
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				341,063
Other Receipts				83,254
<i>Total General Receipts</i>				424,317
Change in Net Assets				131,346
<i>Net Assets Beginning of Year</i>				666,838
<i>Net Assets End of Year</i>				\$798,184

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Cash Basis Assets and Cash Basis Fund Balances
December 31, 2005**

	General	Women, Infants and Children	Public Health Infrastructure	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$411,018	\$55,765	\$32,171	\$299,230	\$798,184
<i>Total Assets</i>	<u>\$411,018</u>	<u>\$55,765</u>	<u>\$32,171</u>	<u>\$299,230</u>	<u>798,184</u>
Fund Balances					
Reserved for Encumbrances	\$3,000	\$2,900	\$6,551	\$12,068	\$24,519
Unreserved, Undesignated Reported in:					
General Fund	408,018				408,018
Special Revenue Funds		52,865	25,620	287,162	365,647
<i>Total Fund Balances</i>	<u>411,018</u>	<u>55,765</u>	<u>32,171</u>	<u>299,230</u>	<u>798,184</u>
<i>Total Fund Balances</i>	<u>\$411,018</u>	<u>\$55,765</u>	<u>\$32,171</u>	<u>\$299,230</u>	<u>\$798,184</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
For the Fiscal Year Ended December 31, 2005**

	General	Women, Infants and Children	Public Health Infrastructure	Other Governmental Funds	Total Governmental Funds
Receipts					
Federal Awards	\$0	\$336,576	\$133,047	\$104,460	\$574,083
Intergovernmental	341,063			78,687	419,750
Inspection Fees	56,784				56,784
Permits				4,345	4,345
Other Fees	68,288			243,120	311,408
Other Receipts			44	46,661	46,705
<i>Total Receipts</i>	<u>466,135</u>	<u>336,576</u>	<u>133,091</u>	<u>477,273</u>	<u>1,413,075</u>
Disbursements					
Current:					
Salaries	210,528	238,784	79,984	219,589	748,885
Supplies	18,000	450			18,450
Remittance to State				42,280	42,280
Equipment	8,535		42,380		50,915
Contracts - Services		12,617	15,541	62,098	90,256
Liability Insurance	4,931				4,931
Travel	24,353			5,899	30,252
Hospitalization	79,963				79,963
Medicare	4,013				4,013
Public Employee's Retirement	28,315			17,106	45,421
Worker's Compensation	3,993				3,993
Unemployment Compensation	600				600
Other	62,266	66,995	22,872	46,186	198,319
<i>Total Disbursements</i>	<u>445,497</u>	<u>318,846</u>	<u>160,777</u>	<u>393,158</u>	<u>1,318,278</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	20,638	17,730	(27,686)	84,115	94,797
Other Financing Sources					
Other Sources	35,578	971			36,549
<i>Total Other Financing Sources</i>	<u>35,578</u>	<u>971</u>	<u>0</u>	<u>0</u>	<u>36,549</u>
<i>Net Change in Fund Balances</i>	56,216	18,701	(27,686)	84,115	131,346
<i>Fund Balances Beginning of Year</i>	<u>354,802</u>	<u>37,064</u>	<u>59,857</u>	<u>215,115</u>	<u>666,838</u>
<i>Fund Balances End of Year</i>	<u>\$411,018</u>	<u>\$55,765</u>	<u>\$32,171</u>	<u>\$299,230</u>	<u>\$798,184</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$340,000	\$340,000	\$341,063	\$1,063
Inspection Fees	52,000	52,000	56,784	4,784
Other Fees	45,000	45,000	68,288	23,288
Other Receipts	10,000	10,000	0	(10,000)
<i>Total Receipts</i>	<u>447,000</u>	<u>447,000</u>	<u>466,135</u>	<u>19,135</u>
Disbursements				
Current:				
Salaries	317,900	289,907	210,528	79,379
Supplies	21,000	21,000	21,000	0
Equipment	4,200	10,200	8,535	1,665
Liability Insurance	5,000	5,000	4,931	69
Travel	25,000	25,000	24,353	647
Hospitalization	90,000	90,000	79,963	10,037
Medicare	5,500	5,500	4,013	1,487
Public Employee's Retirement	48,000	48,000	28,315	19,685
Worker's Compensation	2,000	3,993	3,993	0
Unemployment Compensation	600	600	600	0
Other Expenses	43,000	63,000	62,266	734
<i>Total Disbursements</i>	<u>562,200</u>	<u>562,200</u>	<u>448,497</u>	<u>113,703</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(115,200)</u>	<u>(115,200)</u>	<u>17,638</u>	<u>132,838</u>
Other Financing Sources				
Other Sources			35,578	35,578
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>35,578</u>	<u>35,578</u>
<i>Net Change in Fund Balance</i>	(115,200)	(115,200)	53,216	168,416
<i>Fund Balance Beginning of Year</i>	348,602	348,602	348,602	0
Prior Year Encumbrances Appropriated	6,200	6,200	6,200	0
<i>Fund Balance End of Year</i>	<u>\$239,602</u>	<u>\$239,602</u>	<u>\$408,018</u>	<u>\$168,416</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Women, Infants and Children Fund
For the Fiscal Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Federal Awards	\$237,773	\$360,026	\$336,576	(\$23,450)
<i>Total Receipts</i>	<u>237,773</u>	<u>360,026</u>	<u>336,576</u>	<u>(23,450)</u>
Disbursements				
Current:				
Salaries	315,287	279,987	238,784	41,203
Supplies	450	450	450	0
Contracts - Services	17,200	17,200	14,017	3,183
Other Expenses	75,400	75,400	68,495	6,905
<i>Total Disbursements</i>	<u>408,337</u>	<u>373,037</u>	<u>321,746</u>	<u>51,291</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(170,564)</u>	<u>(13,011)</u>	<u>14,830</u>	<u>27,841</u>
Other Financing Sources				
Other Sources		450	971	521
<i>Total Other Financing Sources</i>	<u>0</u>	<u>450</u>	<u>971</u>	<u>521</u>
<i>Net Change in Fund Balance</i>	(170,564)	(12,561)	15,801	28,362
<i>Fund Balance Beginning of Year</i>	34,264	34,264	34,264	0
Prior Year Encumbrances Appropriated	2,800	2,800	2,800	0
<i>Fund Balance End of Year</i>	<u>(\$133,500)</u>	<u>\$24,503</u>	<u>\$52,865</u>	<u>\$28,362</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**Statement of Cash Receipts, Cash Disbursements, and Changes
In Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Public Health Infrastructure Fund
For the Fiscal Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Federal Awards	\$0	\$133,047	\$133,047	\$0
Other Receipts			44	44
<i>Total Receipts</i>	<u>0</u>	<u>133,047</u>	<u>133,091</u>	<u>44</u>
Disbursements				
Current:				
Salaries	121,723	102,573	79,984	22,589
Equipment	42,380	42,380	42,380	0
Contracts - Services	19,592	19,592	19,592	0
Other Expenses	28,130	28,130	25,372	2,758
<i>Total Disbursements</i>	<u>211,825</u>	<u>192,675</u>	<u>167,328</u>	<u>25,347</u>
<i>Net Change in Fund Balance</i>	(211,825)	(59,628)	(34,237)	25,391
<i>Fund Balance Beginning of Year</i>	57,172	57,172	57,172	0
Prior Year Encumbrances Appropriated	2,685	2,685	2,685	0
<i>Fund Balance End of Year</i>	<u>(\$151,968)</u>	<u>\$229</u>	<u>\$25,620</u>	<u>\$25,391</u>

See accompanying notes to the basic financial statements

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District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

Note 1 - Reporting Entity

The District Board of Health, Belmont County (the Health District), is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

The Health District is directed by a six-member Board. The Board appoints a Health Commissioner and all employees of the Health District. The Health District provides communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

A. Primary Government

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Health District consists of all funds, departments, Board, and agencies that are not legally separate from the Health District.

B. Component Units

Component units are legally separate organizations for which the Health District is financially accountable. Component units may also include organizations that are fiscally dependent on the Health District in that the Health District approves their budget, the issuance of their debt or the levying of their taxes. No separate governmental units meet the criteria for inclusion as a component unit.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Health District's accounting policies.

A. Basis of Presentation

The Health District's basic financial statements consist of government-wide financial statements, including a statement of net assets – cash basis and a statement of activities – cash basis, and fund financial statements which provide a more detailed level of financial information.

The statement of net assets – cash basis and the statement of activities – cash basis display information about the Health District as a whole. These statements include the financial activities of the primary government. The statements distinguish the activities of the Health District that are governmental in nature. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balances of the governmental activities of the Health District at year end. The statement of activities compares disbursements and program receipts for each program or function of the Health District'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 Health District is responsible. Program receipts include grants and contributions that are restricted to meeting the operational requirements of a particular program.

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

Receipts which are not classified as program receipts are presented as general receipts of the Health District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Health District.

During the year, the Health District segregates transactions related to the Health District functions or activities in separate funds in order to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Health 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 Health District uses funds 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. The funds of the Health District are governmental.

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

Women, Infants and Children (WIC) Fund – This is a Federal grant fund used to account for the Special Supplemental Nutrition Program.

Public Health Infrastructure Fund – This is a Federal grant fund used to account for the Centers for Disease Control and Prevention – Investigations and Technical Assistance Program.

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

C. Basis of Accounting

The Health District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Health District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Health District may appropriate. The appropriation resolution is the Health District's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at a level of control selected by the Health District. The legal level of control has been established by the Health District at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Health District. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 that fund covering 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 Board during the year.

E. Cash and Cash Equivalents

As required by Ohio Revised Code, the Belmont County Treasurer is custodian for the Health District's cash. The Health District's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposit disclosures for the County as a whole may be obtained from Joseph Pappano, County Auditor, at 101 West Main Street, St. Clairsville, Ohio 43950.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Health District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Health District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Health District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for miscellaneous purposes primarily include activities involving the Health District's tobacco program and raccoon rabies program. The Health District's policy

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The government-wide statement of net assets reports \$174,268 of restricted net assets, of which none is restricted by enabling legislation.

M. Fund Balance Reserves

The Health District reserves any portion of the fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budgetary Basis) presented for the General, Women, Infants, and Children, and Public Health Infrastructure Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$3,000
Major Special Revenue Funds:	
Women, Infants, and Children Fund	2,900
Public Health Infrastructure Fund	6,551

Note 4 – Deposits and Investments

Ohio law restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the Health District. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits: The Belmont County Treasurer serves as the fiscal agent for the Health District and the investments of the County funds, including the Health District's cash. The Health District maintains no control over the investment of its cash. At year end, the carrying amount of the Health District's deposits was \$798,184.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Health District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Health District's deposits maintained by the Belmont County Treasurer were exposed to custodial credit risk because they were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject Belmont County Treasurer to a successful claim by the FDIC.

Note 5 – Intergovernmental Funding

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

Note 6 – Risk Management

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

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

\$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.

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 provides 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 with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. 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 \$9,862.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Health District participates in the Ohio Public Employees Retirement System (OPERS). OPERS 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 the 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. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries to fund pension obligations. The employer contribution rate for pension benefits for 2005 was 9.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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 OPERS is considered an Other Postemployment Benefit as described in *GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers"*. 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 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was 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, 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 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus

District Board of Health
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2005

an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. 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. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Health District 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 increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 9 – Contingencies

Grants

Amounts grantor agencies pay to the Health District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed-Through Ohio Department of Health.</i>			
Special Supplemental Nutritional Program for Women, Infants and Children	07-1-001-1-CL-04/05/06	10.557	<u>\$354,146</u>
Total U.S. Department of Agriculture			<u>354,146</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed-Through Ohio Department of Health.</i>			
Family Planning Services	07-1-001-1-XX-04/05	93.217	49,126
Immunization Grants	07-1-001-2-AZ-04/05	93.268	26,883
Centers for Disease Control and Prevention - Investigations and Technical Assistance	07-1-001-2-BI-04/05	93.283	<u>179,927</u>
<i>Total Passed-Through Ohio Department of Health</i>			<u>255,936</u>
<i>Passed-Through the Belmont County Department of Job and Family Services.</i>			
Temporary Assistance for Needy Families	N/A	93.558	<u>27,090</u>
<i>Total Passed-Through the Belmont County Department of Job and Family Services</i>			<u>27,090</u>
Total U.S. Department of Health and Human Services			<u>283,026</u>
Total Federal Awards Expenditures			<u><u>\$637,172</u></u>

The accompanying Notes to the Federal Awards Expenditures Schedule are an integral part of this Schedule.

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL 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.



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

District Board of Health
Belmont County
68501 Bannock Road
St. Clairsville, Ohio 43950

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 District Board of Health, Belmont County, Ohio (the Health District, as of and for the year ended December 31, 2005, which collectively comprise the Health District's basic financial statements and have issued our report thereon dated February 2, 2007. 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 basic financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002.

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. 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. However, we do not believe the reportable conditions described above are a material weakness. In a separate letter to the Health District's management dated February 2, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Health District's basic 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*.

We intend this report solely for the information and use of the audit committee, management, the Board, 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

February 2, 2007



Mary Taylor, CPA

Auditor of State

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

District Board of Health
Belmont County
68501 Bannock Road
St. Clairsville, Ohio 43950

To the Members of the Board:

Compliance

We have audited the compliance of the District Board of Health, Belmont County, Ohio (the Health 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 and Questioned Costs identifies the Health District's major federal program. The Health District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Health 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 Health 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 Health District's compliance with those requirements.

In our opinion the District Board of Health 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report which is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-003.

Internal Control Over Compliance

The Health 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 Health 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.

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District Board of Health
Belmont County
Independent Accountants' Report on Compliance with
Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance with
OMB Circular A-133

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Health District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-003.

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. Our consideration of the internal control over compliance 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 do not believe the reportable condition described above is a material weakness. We noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Health District's management in a separate letter dated February 2, 2007.

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



Mary Taylor, CPA
Auditor of State

February 2, 2007

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Supplemental Nutrition Program for Women, Infants, and Children CFDA #10.557
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2005-001

Reportable Condition – Proper account classification of advances

Auditor of State Audit Bulletin 97-003 states that advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. Advances must also indicate a statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose which the fund receiving the cash (the “debtor” fund) was established. There also must be approval via a formal resolution of the taxing authority of the subdivision of which includes a specific statement that the transaction is an advance and an indication of the money (fund) from which it is expected that repayment will be made.

The Health District made cash advances of \$54,450 during 2005 which were recorded as transfers-in and the repayments were recorded as expenditures from the salaries line item account. As a result, numerous reclassifications to the financial statements were required. All advances were repaid during the year.

We recommend the Health District follow the guidance as outlined in AOS Bulletin 97-003 when advancing funds. We also recommend if, after an advance is made, the Health District determines that the transaction should, in fact, be treated as a transfer (repayment is not longer expected) the following procedures should be followed:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see ORC 5705.14, 5705.15 and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

Officials’ Response:

We did not receive a response from the Officials to this finding.

FINDING NUMBER 2005-002

Reportable Condition – Documentation of Overtime

Due to staffing level problems, in July 2005, the District Board of the Health made a motion in the Board minutes to change the overtime policy to allow employees to be paid straight time, in lieu of taking comp time. The Health District does not have a formal internal control procedure to address the documenting and approval of overtime hours worked. Also, the Health District’s job descriptions do not indicate which job positions are exempt job positions. Exempt positions would not be entitled to overtime but would accrue comp time.

During 2005, the Deputy Health Commissioner, Harold Vermillion, was given another job title, Emergency Response Coordinator for the Public Health Infrastructure Grant, which caused him to work approximately 338 overtime hours. For 100% of payroll summary sheets reviewed, the audit staff was not provided adequate documentation for Mr. Vermillion’s overtime charges to the Public Health Infrastructure Grant. Audit staff was provided with a post-it note attached to the payroll summary sheet submitted to Belmont County Auditor’s office, stating total overtime hours for the pay period but no documentation such as days in pay period that overtime was worked, the amount of overtime time worked, the cost objective worked on or approval by someone other than employee. Another employee, Kathy Yeater, had multiple job titles

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2005-002 (Continued)

Reportable Condition – Documentation of Overtime (Continued)

(ie Director of Nursing, WIC Director and lead Grant Administrator) and she worked approximately 1,110 overtime hours in 2005. For 100% of payroll summaries reviewed, Kathy Yeater provided time sheets for her regular and overtime workhours that documented days and hours worked, fund to be charged, and detailed explanation of what project she worked on.

Kathy Yeater was paid from the WIC Fund for her duties as WIC Director and her overtime hours, as Director of Nursing and lead Grant Administrator, were paid from the Board of Health General Fund.

Since the Health District policy manual did not differentiate between exempt and non-exempt positions, we could not ascertain which job positions were exempt positions, thereby not allowed to be paid overtime hours. Therefore, we are uncertain whether the Board of Health's action to allow employees to be paid straight time, in lieu of taking comp time is allowable under the Fair Labor Standards Act.

We recommend the Health District adopt an internal control policy setting the procedure for documenting and approving overtime. The use of a post-it note does not provide the documentation necessary to reflect an after the fact distribution of the actual activity worked on by the employee. If the Health District intends to allow employees to work overtime and/or charge overtime to grant programs, the timesheet should reflect in adequate detail an after the fact distribution of the actual activities worked on by hour at the minimum, be prepared at a minimum by pay period and signed by the employee.

Also, the Health District should evaluate their job descriptions and determine which positions are exempt positions according to the Fair Labor Standards Act. This would help in clarifying the allowability, according to the Fair Labor Standards Act, of the policy change of allowing employees working in excess of 35 hours to be paid straight time in lieu of being paid overtime.

Official's Response and Corrective Action Plan:

In the instance of accounting for the additional hours, i.e. those in excess of the traditional 35 hours per week, please note the following information:

While the hours in question were not segregated out and placed on a separate time and activity sheet, these hours were separated and assigned to the appropriate payroll and contemporary notes, mileage sheets and other supporting documentation exist. To preface the following examples, it should be explained that the work done that required additional hours was generally, although not exclusively, a result of Public Health Infrastructure requirements.

The position of Emergency Response Coordinator, the key coordinate of PHI activities, is currently filled by H.L. Vermillion, therefore the additional duties and hours needed to perform the mandated tasks of the PHI grant were performed by Vermillion. These duties included carrying a beeper and cell phone and being on call 24/7 for not less than 51 full weeks of the reporting year 2005. Further, all additional hours worked were compensated at a straight time rate regardless of when they occurred. With this preface and the following examples it can be shown that less formal activity documentation does exist. Looking at Payroll #08 – April 4-16 and Payroll #09 – April 17-30, during this 4 week period additional hours were worked on PHI activities including Emergency Preparedness meetings and presentations at Belmont Technical College April 12th from 6:00-9:00 pm, April 21st (12) hours was spent on PIO training at

**DISTRICT BOARD OF HEALTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005
(Continued)**

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

FINDING NUMBER 2005-002 (Continued)

Reportable Condition – Documentation of Overtime (Continued)

Official's Response and Corrective Action Plan: (Continued)

Chillicothe, Ohio with the Department of Health. The list of activities and documentation for same can be listed but they are not in the desired format that will most closely reflect the time and activities spent on PHI duties.

To remedy future questions regarding additional hours beyond the 35 hour week the following steps have been taken or are being developed:

- (1) A job audit on all positions at the agency has been performed, which clarifies those positions eligible for actual overtime.
- (2) The new personnel/policy manual also outlines procedures that address how and when the use of additional work hours are to be approved and/or authorized.
- (3) The new policy manual will address payment mechanisms for additional hours worked.
- (4) Updated and more detailed time and activity sheets will be utilized by personnel working on all programs.

Thank you for the chance to add some clarification in regard to the additional hours worked and for encouraging us with your review of agency records to develop reporting procedures that are more detailed and reflective of program activities.

Auditor of State's Conclusion

During the course of audit work, the client did not provide documentation to support Harold Vermillion's overtime charged, other than a post-it note reflecting total hours for the pay period. At the post audit held on January 17, 2007, Harold Vermillion indicated he had the documentation to support the overtime hours charged in various documents such as desk calendar, daily planner and travel expense logs. Harold Vermillion indicated that he would provide such documentation along with written responses within five working days. The Auditor of State gave Mr. Vermillion twelve working days, at which time he provided responses and corrective action plans but no documentation to support the overtime hours worked.

**DISTRICT BOARD OF HEALTH
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Noncompliance Citation - Allowable Costs/Cost Principles

Finding Number	2005-003
CFDA Title and Number	Centers for Disease Control and Prevention – Investigations and Technical Assistance, CFDA # 93.283
Federal Award Number / Year	07-1-001-2-BI-04/05
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Questioned Costs and Reportable Condition

OMB Circular A-87, Attachment B, paragraph 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- (A) More than one federal awards, or
- (B) A federal award and a non Federal Award.

OMB Circular A-87, Attachment B, paragraph 8(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- (A) They must reflect an after the fact distribution of the actual activity of each employee;
- (B) They must account for the total activity for which each employee is compensated;
- (C) They must be prepared at least monthly and must coincide with one or more pay periods; and
- (D) They must be signed by the employee.

OMB Circular A-87, Attachment A, paragraph (B)(11) defines a single cost objective as one function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

The Health District charged various employees to the Centers for Disease Control and Prevention – Investigations and Technical Assistance Grant (Public Health Infrastructure Grant) without a detailed personnel activity sheet that depicts what the employee worked on to allow charges to the Public Health Infrastructure Grant. These employees worked on more than one federal award and/or worked on a federal award and non federal awards. From our review of 100% of the payroll summary sheets, the Deputy Health Commissioner, H.L. Vermillion charged approximately 227 hours of overtime to the Public Health Infrastructure Grant without adequate documentation to support time and effort spent on the grant. From our review of other employees who charged the Public Health Infrastructure Grant, none of these employees were charging a single cost objective. This results in direct salary and fringe benefit costs being charged to the Public Health Infrastructure Grant without adequate documentation to support the level of effort on any Public Health Infrastructure Grant programs.

Therefore, we have identified \$122,005 of known questioned costs for the Centers for Disease Control and Prevention – Investigations and Technical Assistance Grant (Public Health Infrastructure Grant).

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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1. Noncompliance Citation - Allowable Costs/Cost Principles (Continued)

For Health District employees who work on more than one federal award or work on a federal award and a non federal award, we recommend the Health District develop internal control procedures to require the Health District employees to document hours spent in each program area and charge the applicable fund for the related portion of direct salary and benefit costs. In addition, these reports should be signed by the employee. If the Health District chooses to define employees working on a grant as charging the grant due to working on a single cost objective, the Health District should obtain guidance from the grantor agency in making this determination.

Official's Response and Corrective Action Plan:

In regard to the questioned costs and reportable condition concerning expenditures of grant dollars for the 2005 PHI program please note the following: The activities and staffing levels for said activities are generally outlined in the narrative and activity section of the PHI grant.

While we were not aware that a more definitive separation of staff time into distinctly marked categories was mandated and preferable, we do have documentation that can certainly help identify personnel and type of activity for these grant expenditures. As an example, when several staff members attended a training or seminar this information was logged. Additionally, pertinent detailed information can be gathered from activity and mileage sheets to add further delineation of activities.

With the variety of duties that many departmental staff are charged with it is often cost prohibitive and difficult to track blocks of time of less than a half hour. In most instances we try to apply the fair/reasonable approach to grant funds, i.e. if there is doubt about the assignment of costs to grants or the general fund we charge these costs to the general fund. The reality is that rarely do grant funds cover the entire costs of the services expected from the grant.

Currently this agency is refining and clarifying procedural documents that we use in the day to day operations of the department including staff activity records and time study guidelines. Additionally the Agency has contracted for the development of a new personnel policy that will address more clearly the appropriate documentation procedures for staff activities and related expenses. This will lead to clearer and more detailed documentation of expense tracking activities and will also contain language regarding the use of cell phones. With the changes to our record keeping and supporting documentation the assignment of appropriate proportional costs and expenses to the grant we operate will be even more precise.

As previously discussed in a majority of instances grant funds are not adequate to cover the costs of service provision but because our goal is to provide needed services, not to make a profit, these shortfalls are offset with non-grant dollars.

Previously it was assumed that the detail contained in grant narratives and budget revisions would be sufficient for tracking expenses. We now realize that more detail is beneficial on multiple levels and will strive to improve all future instances of such reporting.

We appreciate the opportunity to respond to the information contained in the audit and want to thank you and the staff of your department for your cooperative attitude and willingness to discuss appropriate methods for improving our tracking and reporting procedures.

**DISTRICT BOARD OF HEALTH
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The Health District will follow the guidance provided by the Auditor of State Audit Bulletin 97-003 when making advances and will accurately record transfer and advances on their financial statements.	December 31, 2006	Shirley Shumaker, Clerk



Mary Taylor, CPA
Auditor of State

DISTRICT BOARD OF HEALTH

BELMONT 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
MARCH 13, 2007**