



Mary Taylor, CPA
Auditor of State

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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Mary Taylor, CPA

Auditor of State

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements 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 statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

July 26, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board

We have audited the accompanying financial statements of the Erie County General Health District, Erie County, (the District) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the District has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Erie County General Health District, Erie County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The 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 July 26, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Mary Taylor, CPA
Auditor of State

July 26, 2007

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,728,406		\$1,728,406
Intergovernmental	276,058	\$857,966	1,134,024
Charges for Services		1,266,194	1,266,194
Permits		40,335	40,335
Other fees	398	174,038	174,436
Licenses		181,878	181,878
Contractual services		629,545	629,545
Other receipts	33,625	63,191	96,816
Total Cash Receipts	<u>2,038,487</u>	<u>3,213,147</u>	<u>5,251,634</u>
Cash Disbursements:			
Salaries	256,909	2,878,804	3,135,713
Supplies	45,281	227,916	273,197
Remittances to State		128,443	128,443
Equipment	14,435	33,189	47,624
Contracts - Repair	227,345		227,345
Contracts - Services		447,348	447,348
Travel	21,542	88,193	109,735
Communications	8,387	34,920	43,307
Medical Insurance	88,456	510,816	599,272
Medicare	2,100	38,780	40,880
Advertising and Printing	9,050	15,667	24,717
Public Employee's Retirement	60,837	388,909	449,746
Worker's compensation	3,738	30,511	34,249
Property & Liability Insurance	2,000		2,000
Other	54,314	12,359	66,673
Total Disbursements	<u>794,394</u>	<u>4,835,855</u>	<u>5,630,249</u>
Total Receipts Over/(Under) Disbursements	<u>1,244,093</u>	<u>(1,622,708)</u>	<u>(378,615)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	5,771	1,653,529	1,659,300
Transfers-Out	(1,653,529)	(5,771)	(1,659,300)
Total Other Financing Receipts/(Disbursements)	<u>(1,647,758)</u>	<u>1,647,758</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(403,665)	25,050	(378,615)
Fund Cash Balances, January 1	<u>1,903,966</u>	<u>(53,016)</u>	<u>1,850,950</u>
Fund Cash Balances, December 31	<u>\$1,500,301</u>	<u>(\$27,966)</u>	<u>\$1,472,335</u>
Reserves for Encumbrances, December 31	<u>\$3,454</u>	<u>\$44,608</u>	<u>\$48,062</u>

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

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Erie County General Health District, Erie County, (the District) as a body corporate and politic. The District is a combined Board of Health as defined by 3709.07 of the Revised Code. The District is the union of the city health departments of Sandusky, Huron, and Vermilion and the Erie County Board of Health. The District operates under the direction of an eleven-member appointed Board of Health with five members appointed by the City of Sandusky, three members appointed by the District Advisory Council, one member appointed by the District Licensing Council, and one member each appointed by the cities of Huron and Vermilion. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The 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).

These statements adequately disclose 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 District's cash. The County's cash and investment pool holds the District's assets, valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The 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 that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Women, Infants, and Children (WIC) Fund - This Federal grant fund accounts for the Special Supplemental Nutrition Program.

Home Health Fund - This fund receives fees for providing home nursing services to elderly and homebound persons.

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

1. Appropriations

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

3. Encumbrances

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

The District did not properly certify the availability of funds prior to incurring the expenditure during the fiscal year 2006.

A summary of 2006 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do 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 statements do not include a liability for unpaid leave.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,982,001	\$2,044,258	\$62,257
Special Revenue	3,456,494	4,866,676	1,410,182
Total	\$5,438,495	\$6,910,934	\$1,472,439

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$796,462	\$2,451,377	(\$1,654,915)
Special Revenue	5,120,596	4,886,234	234,362
Total	\$5,917,058	\$7,337,611	(\$1,420,553)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$1,654,915 in the General Fund: by \$14,700 in the Home Health Fund; by \$14,484 in the Detention Fund; by \$15,487 in the Jail Fund; by \$13,802 in the Vital Statistics Fund; by \$2,838 in the Water Systems Fund; and by \$21,555 in the Plumbing Fund.

Also contrary to Ohio law, appropriations exceeded certified estimated resources by \$102,967 in the Women and Infant Children Fund; by \$105,863 in the Home Care Plus Fund; by \$3,223 in the CFHS Fund; by \$348,437 in the General Clinics Fund; by \$117,897 in the Women's Health Fund; by \$265,229 in the Family Planning Fund; by \$31,054 in the Help Me Grow Fund; by \$80,027 in the School Nursing Fund; by \$30,992 in the PH Infrastructure Fund; by \$66,923 in the BCMH Fund; by \$5,970 in the Vital Statistics Fund; by \$78,384 in the Teen Pregnancy Fund; by \$9,096 in the AIDS Fund; by \$328,715 in the Environmental Health Fund; by \$12,560 in the Water Systems Fund; by \$30,032 in the Plumbing Fund; by \$104,435 in the Food Service Fund; by \$5,939 in the Marine Fund; by \$11,858 in the Manufactured Home Parks Fund; by \$5,847 in the Camps Fund; by \$19,849 in the Pools/Spas Fund; and by \$25,000 in the Erie County 211 Fund.

3. INTERGOVERNMENTAL FUNDING

The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$1,728,406 in 2006. The financial statements present these amounts as tax receipts.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the District's Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. RETIREMENT SYSTEM

The 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 2006, OPERS members contributed 9 percent of their gross salaries. The District contributed an amount equal to 13.7 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

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

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

The 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT – (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

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 values. 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 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

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, 2006 and 2005:

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT – (Continued)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$45,234. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2004	\$17,105
2005	\$18,498
2006	\$20,589

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refund of any disallowed costs. Management cannot presently determine any amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	22-1-001-1-CL-06 22-1-001-1-CL-07	10.557	\$ 373,885 <u>113,621</u>
Total Department of Agriculture			<u>487,506</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
Maternal and Child Health Services Block Grant	22-1-001-1-MC-06 22-1-001-1-MC-07	93.994	15,831 <u>20,166</u>
Total Maternal and Child Health Services Block Grant			<u>35,997</u>
Family Planning - Services	22-1-001-1-XX-05 22-1-001-1-XX-06	93.217	21,206 <u>104,354</u>
Total Family Planning - Services			<u>125,560</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	22-1-001-2-BI-06 22-1-001-2-BI-07	93.283	79,142 <u>42,123</u>
Total Centers for Disease Control and Prevention - Investigations and Technical Assistance			<u>121,265</u>
<i>Passed Through City of Portsmouth</i>			
HIV Prevention Activities Health Department Based	263-440-5238-2	93.940	45,240
Total Department of Health and Human Services			<u>328,062</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 815,568</u>

The accompanying notes are an integral part of this schedule.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – HIV PREVENTION ACTIVITIES HEALTH DEPARTMENT BASED

Cash receipts from the U.S. Department of Health and Human Services passed through the City of Portsmouth are commingled with State grants. It is assumed federal monies are expended first.



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*

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

We have audited the financial statements of the Erie County General Health, Erie County, (the District) as of and for the year ended December 31, 2006, and have issued our report thereon dated July 26, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting which are described in the accompanying schedule of findings as items 2006-001 to 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated July 26, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 to 2006-003.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Health Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 26, 2007



Mary Taylor, CPA

Auditor of State

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

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

Compliance

We have audited the compliance of the Erie County General Health District, Erie County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Erie County General Health District, Erie County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

July 26, 2007

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse: GAAP, Unqualified: Regulatory basis
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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?	No
(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

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

FINDING NUMBER 2006-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District's Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 60% of expenditures tested and there was no evidence that the Health District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Director of Administrations certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used, with appropriate legislative approval following within thirty days.

We recommend the District certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language 5705.41(D) required to authorize disbursements. The District should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Director of Administrations should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client's Response: Since our County Auditor now requires vendor specific Super Blanket Certificates the District has found it much more difficult to process the required amount of purchase orders in a timely and efficient manner. However, for 2007 the District has used "then and now" certification to help remedy this situation.

FINDING NUMBER 2006-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of December 31, 2006 the following funds had expenditures exceeding appropriations:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Health District (General) Fund	\$796,462	\$2,451,377	(\$1,654,915)
Home Health Fund	1,001,592	1,016,292	(14,700)
Detention Center Fund	40,846	55,740	(14,894)
Jail Nursing Fund	139,880	155,367	(15,487)
Vital Statistics Fund	175,970	189,772	(13,802)
Water System Fund	14,160	16,998	(2,838)
Plumbing Fund	30,032	51,587	(21,555)

The failure to have adequate appropriations in place at the time expenditures are being made could result in expenditures exceeding available resources, resulting in deficit spending practices. The Director of Administrative Services should not certify the availability of funds and should deny payment requests exceeding appropriations. The Director of Administration Services may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Client's Response: Client chooses not to respond.

FINDING NUMBER 2006-003

Noncompliance Citation/Material Weakness

Ohio Revised Code § 3709.28 provides in part, that the District's Board of Health's total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the County Auditor and approved by the County Budget Commission. In, addition, no appropriations measure shall become effective until the District files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

As of December 31, 2006 the following funds had appropriations exceeding estimated resources:

Funds	Estimated Resources	Appropriations	Excess
WIC Fund	\$452,254	\$555,221	(\$102,967)
Home Care Plus Fund	139,682	245,545	(105,863)
CFHS Fund	40,217	43,440	(3,223)
General Clinics Fund	135,238	483,675	(348,437)
Womens Health Fund	236,021	353,918	(117,897)
Family Planning fund	200,957	466,186	(265,229)
Help Me Grow Fund	24,248	55,302	(31,054)
School Nursing Fund	332,969	412,996	(80,027)
PH Infrastructure Fund	107,790	138,782	(30,992)
BCMH Fund	20,000	86,923	(66,923)
Vital Statistics Fund	155,759	161,729	(5,970)
Teen Pregnancy Fund	(344)	78,040	(78,384)
AIDS Fund	57,999	67,095	(9,096)
Environmental Health Fund	25,775	354,490	(328,715)
Water Systems Fund	1,560	14,120	(12,560)
Plumbing Fund		30,032	(30,032)
Food Service Fund	148,198	252,633	(104,435)
Marina Fund	8,193	14,132	(5,939)
Manufactured Home Parks Fund	4,999	16,857	(11,858)
Camps Fund	4,130	9,977	(5,847)
Pools / Spas Fund	22,000	41,849	(19,849)
Erie County 211 Fund		25,000	(25,000)

The following funds had revenues that were sufficient so as to allow the Director of Administrative Services to obtain an amended certificate to cover the appropriations adopted: CFHS, PH Infrastructure, Water Systems, Plumbing, and Erie County 211 funds.

The following funds did not have revenues that were sufficient so as to allow the Director of Administrative Services to obtain an amended certificate to cover the appropriations adopted: WIC, Home Care Plus, General Clinics, Women's Health, Family Planning, Help Me Grow, School Nursing, BCMH, Vital Statistics, Teen Pregnancy, AIDS, Environmental Health, Food Services, Marina, Manufactured Home Parks, Camps, and Pools / Spas Funds. The failure to

**FINDING NUMBER 2006-003
(Continued)**

limit appropriations to amounts certified could allow expenditures to exceed available resources and create deficit spending practices, resulting in deficit fund balances.

We recommend the Director of Administrative Services monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

Client's Response: Client chooses not to respond.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code Section 5705.41 (B) – Expenditures exceeded appropriations in the General Fund	No	Repeated as Finding 2006-002 in this report



Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

ERIE 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
AUGUST 23, 2007**