



Mary Taylor, CPA
Auditor of State

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
2006 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2006.....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2006	12
2006 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2006	13
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Help Me Grow Fund For the Year Ended December 31, 2006	16
2005 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2005.....	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2005	18
2005 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2005	19
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005	20
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	21

FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Help Me Grow Fund For the Year Ended December 31, 2005	22
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Schedule of Findings	33
Schedule of Prior Audit Findings	37



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fayette County General Health District
Fayette County
317 South Fayette Street
Washington Court House, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayette County General Health District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayette County General Health District, Fayette County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and Help Me Grow funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

December 4, 2007

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of the Fayette County General Health District's (the District) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2006 and December 2005, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key financial highlights for the year 2006 are as follows:

- General receipts in the form of property taxes, payments from County subdivisions and miscellaneous receipts comprise the largest percentage of the District's receipts. Program specific receipts in the form of charges for services and operating grants and contributions make up the remainder of the total revenue of \$1,759,088.
- The Public Health Infrastructure Grant, in the amount of \$70,714, was significantly less than in prior years.
- The ACE grant with the Ross County Department of Health was terminated mid year.

Key financial highlights for the year 2005 are as follows:

- General receipts in the form of property taxes, payments from County subdivisions and miscellaneous receipts comprise the largest percentage of the District's receipts. Program specific receipts in the form of charges for services and operating grants and contributions make up the remainder of the total revenue of \$1,834,561.
- The Public Health Infrastructure Grant, in the amount of \$104,606, was significantly less than in prior years.
- 2005 was the first full year of the Help Me Grow program.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the 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.

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 District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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 District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to 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 District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund, and the Help Me Grow Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fayette County General Health District
 Management's Discussion and Analysis
 For the Years Ended December 31, 2006 and 2005
 Unaudited

The District as a Whole

Table 1 provides a summary of the District's net assets for 2006 compared to 2005 on a cash basis:

	2006	2005
Assets		
Cash and Cash Equivalents	\$1,604,248	\$1,436,672
Total Assets	\$1,604,248	\$1,436,672
 Net Assets		
Restricted	534,220	526,017
Unrestricted	1,070,028	910,655
Total Net Assets	\$1,604,248	\$1,436,672

Net assets of governmental activities increased \$167,576 or 12 percent during 2006. The primary reasons contributing to the increase in cash balances is as follows:

- The District received an increase in Help Me Grow funds over 2005.
- The District received an increase in intergovernmental receipts in the General fund.
- The District received an increase in charges for services due to increased fees charged for services.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005.

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$158,916	\$156,202
Operating Grants and Contributions	620,435	675,924
Total Program Receipts	<u>779,351</u>	<u>832,126</u>
General Receipts:		
Property and Other Local Taxes	856,018	872,616
Subdivisions	69,500	69,500
Miscellaneous	54,219	60,319
Total General Receipts	<u>979,737</u>	<u>1,002,435</u>
Total Receipts	<u>1,759,088</u>	<u>1,834,561</u>
Disbursements:		
Trailer Park	687	630
Pool	920	815
Landfill	7,968	3,094
Food Service	24,015	24,739
WIC	102,531	96,375
Water	4,922	4,933
Family Planning	28,963	15,913
Healthchek	4,360	8,219
PHI	89,650	110,708
United Way	28,535	27,164
Help Me Grow	209,765	189,923
ACE	35,530	51,046
CORE	4,997	7,321
Womens Health	0	4,062
General	1,048,669	1,024,622
Total Disbursements	<u>1,591,512</u>	<u>1,569,564</u>
Change in Net Assets	167,576	264,997
Net Assets, January 1	<u>1,436,672</u>	<u>1,171,675</u>
Net Assets, December 31	<u>\$1,604,248</u>	<u>\$1,436,672</u>

Program receipts represent 44 percent in 2006 and 45% in 2005 of total receipts and are primarily comprised of restricted intergovernmental receipts such as WIC, Help Me Grow, and PHI grants.

During 2006, General receipts represent 56 percent of the District's total receipts, and of this amount, over 87 percent are property and local taxes. During 2005, General receipts represent 55% of the District's total receipts, and of this amount, over 87% are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2006 and 2005, disbursements for General represent the overhead costs of running the District and the support services provided for the other District activities. These include the miscellaneous costs of the board of trustees and the fiscal officer, as well as internal services such as accounting, payroll and purchasing, and maintaining the District building. General disbursements increased primarily due to increases in salaries and benefits.

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Disbursements for Family Planning are the costs of clinic operations and have shown an increase from 2006 to 2005, primarily due to the increase in costs of vaccines and other supplies.

Disbursements for PHI, ACE and Help Me Grow are for the costs of running these grants. PHI disbursements show a decrease due to less funding received for this project. Help Me Grow disbursements increased due to increased funding received for this program. ACE disbursements decreased due to terminating this program mid year.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Help Me Grow and General activities. General activities account for 66% of all governmental disbursements for 2006, and 65% for 2005. Help Me Grow accounts for 13% of all governmental distributions in 2006, and 12% for 2005. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program 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 taxpayers. 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.

	Governmental Activities			
	Total Cost Of Services	Total Cost Of Services	Net Cost of Services	Net Cost of Services
	2006	2005	2006	2005
Trailer Park	\$687	\$ 630	\$480	\$ 623
Pool	920	815	650	575
Landfill	7,968	3,094	4,603	3,982
Food Services	24,015	24,739	2,050	2,206
WIC	102,531	96,375	(13,047)	11,345
Water	4,922	4,933	2,787	2,176
Family Planning	28,963	15,913	5,952	22,227
Healthchek	4,360	8,219	8,759	13,453
PHI	89,650	110,708	(18,936)	(6,102)
United Way	28,535	27,164	957	(1,399)
Help Me Grow	209,765	189,923	3,658	20,188
ACE	35,530	51,046	(5,748)	5,749
CORE	4,997	7,321	(4,997)	(7,321)
Womens Health	0	4,062	0	(2,964)
General	1,048,669	1,024,622	(799,329)	(802,176)
Total Expenses	\$1,591,512	\$ 1,569,564	(\$812,161)	\$ (737,438)

The dependence upon property tax receipts is apparent as over 51% of governmental activities for 2006 and 47% for 2005 are supported through these general receipts.

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

The District's Funds

During 2006, total governmental funds had receipts of \$1,759,088 and disbursements of \$1,591,512. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$159,373, partially due to increased fees charged for services provided, coupled with the increase in intergovernmental funds received. During 2005, total governmental funds had receipts of \$1,834,561 and disbursements of \$1,569,564. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$216,649 as the result of the efforts of the District to keep expenditures down.

For 2006, the Fund balance of the Help Me Grow Fund decreased \$982, which is a nominal decrease. The Fund balance of the Help Me Grow Fund increased by \$17,488 in 2005, which is due to being the first full year of this program.

General Fund Budgeting Highlights

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

During 2006 and 2005, the District amended its General Fund Budget several times to reflect changing circumstances.

Final budgeted receipts were below original budgeted receipts in 2006. General Fund receipts received were equal to budgeted receipts for 2006, and \$71 more than budgeted receipts for 2005.

Final disbursements were budgeted at \$1,252,500, while actual disbursements were \$1,048,669 for 2006. Final disbursements were budgeted at \$1,091,500, while actual disbursements were \$1,024,622 for 2005. The District kept spending below budgeted amounts as demonstrated by the reported variance.

Capital Assets and Debt Administration

Capital Assets

The District does not report capital assets and infrastructure under the cash basis of accounting.

Debt

There is no debt reflected at year end.

Current Issues

The challenge for all Health Districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The District will continue to monitor anticipated receipts and decrease spending as necessary.

Fayette County General Health District
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Bonita Moore, Fiscal Officer, Fayette County General Health District, 317 South Fayette Street, Washington Court House, Ohio 43160.

This page intentionally left blank.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,604,248
<i>Total Assets</i>	\$1,604,248
 Net Assets	
Restricted for:	
Help Me Grow	\$26,465
Food Services	127,140
Family Planning	118,895
Healthchek	115,627
Other Purposes	146,093
Unrestricted	1,070,028
<i>Total Net Assets</i>	\$1,604,248

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT

Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Trailer Park	\$687	\$1,167	\$0	\$480
Pool	920	1,570	0	650
Landfill	7,968	12,571	0	4,603
Food Service	24,015	26,065	0	2,050
WIC	102,531	0	89,484	(13,047)
Water	4,922	7,709	0	2,787
Family Planning	28,963	34,915	0	5,952
Healthchek	4,360	13,119	0	8,759
PHI	89,650	0	70,714	(18,936)
United Way	28,535	0	29,492	957
Help Me Grow	209,765	0	213,423	3,658
ACE	35,530	0	29,782	(5,748)
CORE	4,997	0	0	(4,997)
General	1,048,669	61,800	187,540	(799,329)
<i>Total Governmental Activities</i>	<u>\$1,591,512</u>	<u>\$158,916</u>	<u>\$620,435</u>	<u>(812,161)</u>

General Receipts

Property Taxes	856,018
Subdivisions	69,500
Miscellaneous	54,219
Total General Receipts	<u>979,737</u>
Change in Net Assets	167,576
Net Assets Beginning of Year	1,436,672
Net Assets End of Year	<u><u>\$1,604,248</u></u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>General</u>	<u>Help Me Grow</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,070,028	\$26,465	\$507,755	\$1,604,248
<i>Total Assets</i>	<u>\$1,070,028</u>	<u>\$26,465</u>	<u>\$507,755</u>	<u>\$1,604,248</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$1,070,028			\$1,070,028
Special Revenue Funds		26,465	507,755	534,220
<i>Total Fund Balances</i>	<u>\$1,070,028</u>	<u>\$26,465</u>	<u>\$507,755</u>	<u>\$1,604,248</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Help Me Grow	All Other Governmental Funds	Total
Receipts				
Property and Other Local Taxes	\$856,018	\$0	\$0	\$856,018
Intergovernmental	257,040	213,423	219,472	689,935
Fines, Licenses and Permits	8,475	0	45,411	53,886
Charges for Services	53,326	0	51,704	105,030
Miscellaneous	50,343	0	3,876	54,219
<i>Total Receipts</i>	<u>1,225,202</u>	<u>213,423</u>	<u>320,463</u>	<u>1,759,088</u>
Disbursements				
General Health District	1,048,669	0	0	1,048,669
Trailer Park	0	0	687	687
Pool	0	0	920	920
Landfill	0	0	7,968	7,968
Food Service	0	0	24,015	24,015
WIC	0	0	102,531	102,531
Water	0	0	4,922	4,922
Help Me Grow	0	209,765	0	209,765
Family Planning	0	0	28,963	28,963
Healthchek	0	0	4,360	4,360
PHI	0	0	89,650	89,650
United Way	0	0	28,535	28,535
ACE	0	0	35,530	35,530
CORE	0	0	4,997	4,997
<i>Total Disbursements</i>	<u>1,048,669</u>	<u>209,765</u>	<u>333,078</u>	<u>1,591,512</u>
Excess of Receipts Over (Under) Disbursements	176,533	3,658	(12,615)	167,576
Other Financing Sources (Uses)				
Advances In	42,840	15,000	45,000	102,840
Advances Out	(60,000)	(19,640)	(23,200)	(102,840)
<i>Total Other Financing Sources (Uses)</i>	<u>(17,160)</u>	<u>(4,640)</u>	<u>21,800</u>	<u>0</u>
Net Change in Fund Balance	159,373	(982)	9,185	167,576
Fund Balance Beginning of Year	910,655	27,447	498,570	1,436,672
Fund Balance End of Year	<u>\$1,070,028</u>	<u>\$26,465</u>	<u>\$507,755</u>	<u>\$1,604,248</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual Comparison - Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts	<u>\$1,387,290</u>	<u>\$1,225,202</u>	<u>\$1,225,202</u>	<u>\$0</u>
Total Disbursements	<u>1,252,500</u>	<u>1,252,500</u>	<u>1,048,669</u>	<u>203,831</u>
Excess of Receipts Over (Under) Disbursements	134,790	(27,298)	176,533	203,831
Total Other Financing (Uses)	<u>(17,160)</u>	<u>(17,160)</u>	<u>(17,160)</u>	<u>0</u>
Net Change in Fund Balance	117,630	(44,458)	159,373	203,831
Fund Balance Beginning of Year	<u>910,655</u>	<u>910,655</u>	<u>910,655</u>	<u>0</u>
Fund Balances End of Year	<u><u>\$1,028,285</u></u>	<u><u>\$866,197</u></u>	<u><u>\$1,070,028</u></u>	<u><u>\$203,831</u></u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual Comparison - Budget Basis
Help Me Grow Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts	<u>\$202,238</u>	<u>\$213,423</u>	<u>\$213,423</u>	<u>\$0</u>
Total Disbursements	<u>202,238</u>	<u>209,738</u>	<u>209,765</u>	<u>(27)</u>
Excess of Receipts Over (Under) Disbursements	0	3,685	3,658	(27)
Total Other Financing (Uses)	<u>(4,640)</u>	<u>(4,640)</u>	<u>(4,640)</u>	<u>0</u>
Net Change in Fund Balance	(4,640)	(955)	(982)	(27)
Fund Balance Beginning of Year	<u>27,447</u>	<u>27,447</u>	<u>27,447</u>	<u>0</u>
Fund Balances End of Year	<u><u>\$22,807</u></u>	<u><u>\$26,492</u></u>	<u><u>\$26,465</u></u>	<u><u>(\$27)</u></u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,436,672
<i>Total Assets</i>	\$1,436,672
 Net Assets	
Restricted for:	
Help Me Grow	\$27,447
Food Services	124,743
Family Planning	112,943
Healthchek	106,868
Other Purposes	154,016
Unrestricted	910,655
<i>Total Net Assets</i>	\$1,436,672

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT

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

	Cash Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Trailer Park	\$630	\$1,253	\$0	\$623
Pool	815	1,390	0	575
Landfill	3,094	7,076	0	3,982
Food Service	24,739	26,945	0	2,206
WIC	96,375	0	107,720	11,345
Water	4,933	7,109	0	2,176
Family Planning	15,913	38,140	0	22,227
Healthchek	8,219	17,647	4,025	13,453
PHI	110,708	0	104,606	(6,102)
United Way	27,164	0	25,765	(1,399)
Help Me Grow	189,923	0	210,111	20,188
ACE	51,046	0	56,795	5,749
CORE	7,321	0	0	(7,321)
Womens Health	4,062	1,098	0	(2,964)
General	1,024,622	55,544	166,902	(802,176)
Total Governmental Activities	\$1,569,564	\$156,202	\$675,924	(737,438)

General Receipts

Property Taxes	872,616
Subdivisions	69,500
Miscellaneous	60,319
Total General Receipts	1,002,435
Change in Net Assets	264,997
Net Assets Beginning of Year	1,171,675
Net Assets End of Year	\$1,436,672

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	<u>General</u>	<u>Help Me Grow</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$910,655	\$27,447	\$498,570	\$1,436,672
<i>Total Assets</i>	<u>\$910,655</u>	<u>\$27,447</u>	<u>\$498,570</u>	<u>\$1,436,672</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$910,655			\$910,655
Special Revenue Funds		27,447	498,570	526,017
<i>Total Fund Balances</i>	<u>\$910,655</u>	<u>\$27,447</u>	<u>\$498,570</u>	<u>\$1,436,672</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Help Me Grow	All Other Governmental Funds	Total
Receipts				
Property and Other Local Taxes	\$872,616	\$0	\$0	\$872,616
Intergovernmental	236,402	209,986	298,911	745,299
Fines, Licenses and Permits	6,930	0	43,773	50,703
Charges for Services	48,614	0	56,885	105,499
Miscellaneous	55,709	125	4,610	60,444
<i>Total Receipts</i>	<u>1,220,271</u>	<u>210,111</u>	<u>404,179</u>	<u>1,834,561</u>
Disbursements				
General Health District	1,024,622	0	0	1,024,622
Trailer Park	0	0	630	630
Pool	0	0	815	815
Landfill	0	0	3,094	3,094
Food Service	0	0	24,739	24,739
WIC	0	0	96,375	96,375
Water	0	0	4,933	4,933
Help Me Grow	0	189,923	0	189,923
Family Planning	0	0	15,913	15,913
Healthchek	0	0	8,219	8,219
PHI	0	0	110,708	110,708
United Way	0	0	27,164	27,164
ACE	0	0	51,046	51,046
CORE	0	0	7,321	7,321
Womens Health	0	0	4,062	4,062
<i>Total Disbursements</i>	<u>1,024,622</u>	<u>189,923</u>	<u>355,019</u>	<u>1,569,564</u>
Excess of Receipts Over Disbursements	195,649	20,188	49,160	264,997
Other Financing Sources (Uses)				
Advances In	96,050	24,600	50,450	171,100
Advances Out	(75,050)	(27,300)	(68,750)	(171,100)
<i>Total Other Financing Sources (Uses)</i>	<u>21,000</u>	<u>(2,700)</u>	<u>(18,300)</u>	<u>0</u>
Net Change in Fund Balance	216,649	17,488	30,860	264,997
Fund Balance Beginning of Year	694,006	9,959	467,710	1,171,675
Fund Balance End of Year	<u>\$910,655</u>	<u>\$27,447</u>	<u>\$498,570</u>	<u>\$1,436,672</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual Comparison - Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts	\$1,201,000	\$1,220,342	\$1,220,271	(\$71)
Total Disbursements	1,091,500	1,091,500	1,024,622	66,878
Excess of Receipts Over Disbursements	109,500	128,842	195,649	66,807
Total Other Financing Sources	21,000	21,000	21,000	0
Net Change in Fund Balance	130,500	149,842	216,649	66,807
Fund Balance Beginning of Year	693,936	693,936	694,006	70
Fund Balances End of Year	<u>\$824,436</u>	<u>\$843,778</u>	<u>\$910,655</u>	<u>\$66,877</u>

See accompanying notes to the financial statements.

FAYETTE COUNTY GENERAL HEALTH DISTRICT
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual Comparison - Budget Basis
Help Me Grow Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts	<u>\$183,955</u>	<u>\$210,111</u>	<u>\$210,111</u>	<u>\$0</u>
Total Disbursements	<u>183,955</u>	<u>190,355</u>	<u>189,923</u>	<u>432</u>
Excess of Receipts Over Disbursements	0	19,756	20,188	432
Total Other Financing (Uses)	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,700)</u>	<u>0</u>
Net Change in Fund Balance	(2,700)	17,056	17,488	432
Fund Balance Beginning of Year	<u>9,959</u>	<u>9,959</u>	<u>9,959</u>	<u>0</u>
Fund Balances End of Year	<u><u>\$7,259</u></u>	<u><u>\$27,015</u></u>	<u><u>\$27,447</u></u>	<u><u>\$432</u></u>

See accompanying notes to the financial statements.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

The Fayette County General Health District, Fayette County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board, which are appointed by the District Advisory Council. The District's services include public health preparedness, communicable disease investigations, immunization clinics, inspections, public health nursing services, vital statistics and issues health-related licenses and permits.

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

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements and program receipts for each program or function of the 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 District is responsible.

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Receipts which are not classified as program receipts are presented as general receipts of the 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 District.

Fund Financial Statements

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

B. Fund Accounting

The 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 District are governmental funds.

Governmental Funds

Governmental funds are those through which the governmental functions of the District are financed. The following are the District's major governmental funds:

- General Fund – The General Fund includes revenues and expenses related to vital statistics, nursing services, state subsidy, and taxation fees.
- Help Me Grow Fund – This fund is used to account for state and federal funds received for families that have special needs from birth to three years old.

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the 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 Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the District may appropriate. The appropriations resolution is the District's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the District. The legal level of control has been established by the District at the object level.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the District and approved by the Fayette County Budget Commission.

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

E. Cash and Investments

The Fayette County Treasurer is the custodian for the District's cash and investments. The County's cash and investment pool holds the District's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from: Susan V. Dunn, Fayette County Treasurer, 133 South Main Street, Washington Court House, Ohio 43160

F. 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 District's cash basis of accounting.

G. Employer Contributions to Cost Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. 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. The District has no restricted net assets.

I. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The District has no reserves for the fiscal years ending 2006 and 2005. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another with a requirement for repayment are reported as interfund advances. Interfund advances are reported as other financing sources/uses in governmental funds.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 3 – Change in Basis of Accounting

In 2004 the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Beginning in 2005 the District has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual Budgetary Basis presented for the general fund and each major special revenue fund is 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 (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). In 2006 and 2005, there were no outstanding encumbrances.

Note 5 – Risk Management

Risk Pool Membership

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.

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.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 5 – Risk Management (Continued)

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:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
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	(863,163)	(1,068,245)
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 \$17,910. This payable includes the subsequent year's contribution due if the Government 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.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 5 – Risk Management (Continued)

<u>Contributions to PEP</u>	
2004	\$8,265
2005	\$8,077
2006	\$8,955

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.

Note 6 – Defined Benefit Pension Plan

The 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 retirement system 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The District's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$194,741, \$175,411 and \$172,670 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

In 2006, the number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$38,609. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

In 2005, the number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$31,821. OPERS's net assets available for the payment of benefits at December 31, 2005 was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 8 – Intergovernmental Funding

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

The Fayette County Commissioners are serving as a special taxing authority to levy a special levy outside the ten-mill limitation to provide the Health District with sufficient funds to carry out health programs. The levy generated \$856,018 in 2006 and \$872,616 in 2005. These amounts are included as property taxes.

Fayette County General Health District
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 9 – Prior Period Adjustment

In 2004, the District posted receipts incorrectly between the Help Me Grow fund and Other Governmental Funds. The District corrected the incorrect posting. The following adjustment to the financial statements was made to reflect the corrections:

	Help Me Grow Fund	All Other Governmental Funds
December 31, 2004 Balance	\$ 14,959	\$ 462,710
Change Needed	<u>(5,000)</u>	<u>5,000</u>
January 1, 2005 Balance	<u>\$ 9,959</u>	<u>\$ 467,710</u>

Note 10 – Compliance

The District did not certify the availability of funds for certain commitments. Also, disbursements exceeded appropriations in the Help Me Grow fund by \$27 in 2006. Appropriations exceeded estimated resources in the ACE fund by \$17,469 and in the CORE fund by \$594 in 2006.



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*

Fayette County General Health District
Fayette County
317 South Fayette Street
Washington Court House, Ohio 43160

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County General Health District, Fayette County, Ohio (the District), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2007, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinions 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 the 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We noted a certain matter that we reported to the District's management in a separate letter dated December 4, 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 is described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 4, 2007.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and board of trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 4, 2007

FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

NonCompliance Citation

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board 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 does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 Board 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

Sixty-five percent (65%) of the purchases tested in 2005 and twenty percent (20%) of the purchases tested in 2006 were initiated without obtaining the prior certification of the Fiscal Officer and were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

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 fund exceeding budgetary spending limitations, we recommend that the Fiscal Officer 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.

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

Officials' Response

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

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.38 and 5705.39, states in part that total appropriations from each fund shall not exceed the total of the estimated revenue available. Also, upon determination by the fiscal officer that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer shall certify the amount of the deficiency or excess to the budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess. Contrary to this, the appropriations exceeded estimated resources in the ACE fund by \$17,469 and in the CORE fund by \$594 in 2006. Not properly amending appropriations could lead to negative fund balances. Management of the District should take due care to monitor its budgetary receipts and expenditures.

Officials' Response

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

FINDING NUMBER 2006-003

Significant Deficiency

A fully integrated accounting system showing budgetary receipts and expenditures as well as actual receipts and expenditures is a key component of an effective accounting system. We noted that estimated receipts and appropriations were not posted to the accounting records. Therefore, budget to actual reports were not easily available. Without maintaining these budget to actual reports the entity can not be making sound fiscal decisions since they are lacking a useful tool to assist in the monitoring budgets. Lack of budget monitoring can lead to overspending of funds and could lead to fiscal emergency if the have low cash balances. We recommend that the management of the District monitor the budgetary receipts and disbursements and post all amendments to the accounting records in a timely manner. The Fiscal Officer should provide Comparison Reports of Budget and Actual Receipts at least quarterly to be reviewed and approved by the Board of Trustees. By regularly monitoring its budgetary position throughout the year, the District will be better able to determine when to amend the budget and will be better prepared for making decisions which effect the overall available cash position of the District.

Officials' Response

Bonnie Moore, Fiscal Officer responded as follows:

"We are aware that our Peachtree system is not fully integrated to monitor the budget. I do compensate by checking all the reports I get from the County offices monthly, to insure that we have cash balances and that we are not over our appropriations. I will check with our CPA, ..., to see if Peachtree can create a report that shows expenses, appropriations and receipts. I will also print out a report that will show the budget, receipts and expenses to the Board quarterly. We do monitor the budget and make adjustments thru our amended certificates frequently."

This page intentionally left blank.

**FAYETTE COUNTY GENERAL HEALTH DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code, Section 5705.41 (D), requires prior certification.	No	Repeated as finding 2006-001.
2004-002	Ohio Rev. Code, Section 5705.36 and 5705.39, appropriations exceed estimated resources.	No	Repeated as finding 2006-002.



Mary Taylor, CPA
Auditor of State

DISTRICT BOARD OF HEALTH

FAYETTE 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
DECEMBER 31, 2007**