



Mary Taylor, CPA
Auditor of State

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

Logan County Health District
Logan County
310 South Main Street
Bellefontaine, Ohio 43311

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 adverse 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.

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Mary Taylor, CPA
Auditor of State

December 5, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Logan County Health District
Logan County
310 South Main Street
Bellefontaine, Ohio 43311

To the Members of the Board:

We have audited the accompanying financial statements of the Logan County Health District, Logan County, (the District) as of and for the years ended December 31, 2006 and 2005. 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 Government'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 Governments 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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 and 2005, or its changes in financial position for the years 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 Logan County Health District, Logan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Government 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 December 5, 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.

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

Mary Taylor, CPA
Auditor of State

December 5, 2007

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND 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:			
Federal awards		\$211,849	\$211,849
Intergovernmental	\$831,468	26,687	858,155
Inspection fees	43,317		43,317
Permits	10,182	25,245	35,427
Other fees	177,131	74,141	251,272
Licenses	2,786	70,024	72,810
Charges for Services	14,930	709,134	724,064
Contractual services	60,000		60,000
Other receipts	4,210	1,158	5,368
Total Cash Receipts	<u>1,144,024</u>	<u>1,118,238</u>	<u>2,262,262</u>
Cash Disbursements:			
Salaries	608,497	550,245	1,158,742
Supplies	60,712	31,584	92,296
Remittances to State	37,052	109,880	146,932
Equipment	10,736	9,512	20,248
Contracts - Repair	13,606		13,606
Contracts - Services	145,275	201,040	346,315
Travel	28,892	24,489	53,381
Utilities and rentals	11,372	5,200	16,572
Advertising and printing	1,600		1,600
Public employee's retirement	91,638	60,370	152,008
Worker's compensation	8,906	5,086	13,992
Hospital/Life Insurance	74,671	71,712	146,383
Other	23,072	9,566	32,638
Capital Outlay	41,316	114,691	156,007
Debt Service:			
Principal	18,150	5,600	23,750
Interest	17,100		17,100
Total Disbursements	<u>1,192,595</u>	<u>1,198,975</u>	<u>2,391,570</u>
Total Receipts(Under) Disbursements	<u>(48,571)</u>	<u>(80,737)</u>	<u>(129,308)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		6,076	6,076
Advances-In	15,000	15,000	30,000
Transfers-Out	(6,076)		(6,076)
Advances-Out	(15,000)	(15,000)	(30,000)
Proceeds of Notes	50,000		50,000
Total Other Financing Receipts/(Disbursements)	<u>43,924</u>	<u>6,076</u>	<u>50,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(4,647)	(74,661)	(79,308)
Fund Cash Balances, January 1	<u>634,759</u>	<u>631,455</u>	<u>1,266,214</u>
Fund Cash Balances, December 31	<u>\$630,112</u>	<u>\$556,794</u>	<u>\$1,186,906</u>
Reserves for Encumbrances, December 31	<u>\$108,701</u>	<u>\$48,038</u>	<u>\$156,739</u>

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

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards		\$253,081	\$253,081
Intergovernmental	\$851,201	22,873	874,074
Inspection fees	30,304		30,304
Permits	8,364	23,835	32,199
Other fees	164,555	62,486	227,041
Licenses	2,844	131,165	134,009
Charges for Services	17,940	529,253	547,193
Contractual services	60,000		60,000
Investment earnings	5,139	520	5,659
Other receipts			
Total Cash Receipts	<u>1,140,347</u>	<u>1,023,213</u>	<u>2,163,560</u>
Cash Disbursements:			
Salaries	581,226	510,364	1,091,590
Supplies	54,766	24,893	79,659
Remittances to State	32,234	108,437	140,671
Equipment	4,735	20,975	25,710
Contracts - Repair	9,340	973	10,313
Contracts - Services	68,601	137,548	206,149
Rentals			
Travel	26,549	18,685	45,234
Vehicles			
Utilities and rentals	12,540	5,193	17,733
Compensation and damages			
Advertising and printing	2,174		2,174
Public employee's retirement	88,509	55,993	144,502
Worker's compensation	8,904	5,435	14,339
Hospital/Life Insurance	84,791	55,785	140,576
Other	24,967	14,361	39,328
Capital Outlay	9,600		9,600
Debt Service:			
Principal	18,150	5,600	23,750
Interest	16,150		16,150
Total Disbursements	<u>1,043,236</u>	<u>964,242</u>	<u>2,007,478</u>
Total Receipts Over Disbursements	<u>97,111</u>	<u>58,971</u>	<u>156,082</u>
Fund Cash Balances, January 1	<u>537,648</u>	<u>572,484</u>	<u>1,110,132</u>
Fund Cash Balances, December 31	<u>\$634,759</u>	<u>\$631,455</u>	<u>\$1,266,214</u>
Reserves for Encumbrances, December 31	<u>\$69,606</u>	<u>\$58,877</u>	<u>\$128,483</u>

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

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Logan County Health District, Logan County, (the District) as a body corporate and politic. A six-member Board and a Health Commissioner govern the District. The District's services include vital statistics, nursing services, and environmental services.

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 Logan 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Public Home Nursing Services (PHNF) Fund - This fund receives fees for providing home nursing services to elderly and home bound persons.

E. Budgetary Process

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

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,128,830	\$1,194,024	\$65,194
Special Revenue	974,255	1,124,314	150,059
Total	<u>\$2,103,085</u>	<u>\$2,318,338</u>	<u>\$215,253</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,474,332	\$1,307,372	\$166,960
Special Revenue	1,359,064	1,247,013	112,051
Total	<u>\$2,833,396</u>	<u>\$2,554,385</u>	<u>\$279,011</u>

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,039,530	\$1,140,347	\$100,817
Special Revenue	951,506	1,023,213	71,707
Total	\$1,991,036	\$2,163,560	\$172,524

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,222,972	\$1,112,842	\$110,130
Special Revenue	1,101,151	1,023,119	78,032
Total	\$2,324,123	\$2,135,961	\$188,162

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 \$817,643 in 2006 and \$825,318 in 2005. The financial statements include these amounts in the General Fund line item Intergovernmental receipts.

4. RETIREMENT SYSTEM

The District's 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 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

5. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during 2006 and 2005 were as follows:

	Balance at January 1, 2005	Additions	Deductions	Balance at December 31, 2006
Building Purchase Loan with Logan County Commissioners	\$403,750	\$0	\$47,500	\$356,250

On January 9, 2001, the Logan County Commissioners agreed to loan the funds necessary for the purchase of the District Board of Health office facility to the District.

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. LONG-TERM OBLIGATIONS (Continued)

The District has indicated that their understanding of the loan agreement, via a letter from the Logan County Auditor, is that the interest rate for year 2005 is 4.0% and the interest rate for year 2006 is 4.50%. The letter indicated the interest rate will be reevaluated at the end of 2007, and thereafter as determined by the Logan County Commissioners. The final maturity date is December 2021.

Principal payments through 2021 and interest calculated only through year 2007 are presented in the following table:

Calendar Year Ending December 31	Principal	Interest	Total
2007	\$23,750	\$16,031	\$39,781
2008	23,750		23,750
2009	23,750		23,750
2010	23,750		23,750
2011	23,750		23,750
2012-2016	118,750		118,750
2017-2021	118,750		118,750
Total	<u>\$356,250</u>	<u>\$16,031</u>	<u>\$372,281</u>

Laboratory Construction Loan with Logan County Solid Waste Management District

On April 12, 2006, the Logan County Solid Waste Management District (LCSWMD) agreed to provide \$50,000 to the District to defray the immediate costs of constructing a water testing laboratory in the District facility. This funding is viewed by both parties as an advance against future support from the LCSWMD, and could be considered an interest free loan.

The LCSWMD provides \$60,000 per year in support to the District as part of mandated activities under its plan update approved by the Ohio EPA to have the District conduct activities related to the regulation and inspection of the landfills in Logan County and other solid waste issues. This agreement anticipates that the LCSWMD will reduce that annual support payment to \$50,000 each year for a period of five years as a method of recouping the advance of \$50,000 in 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.

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

A. 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.

B. 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.

C. 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.

Casualty Coverage	2006	2005
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>
Property Coverage	2006	2005
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>

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

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 Government's share of these unpaid claims collectible in future years is approximately \$12,318. 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.

Contributions to PEP	
2004	\$5,098
2005	\$5,081
2006	\$5,909

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.



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*

Logan County Health District
Logan County
310 South Main Street
Bellefontaine, Ohio 43311

To the Members of the Board:

We have audited the financial statements of the Logan County Health District, Logan County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 5, 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 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: 2006-001.

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.

**Internal Control Over Financial Reporting
(Continued)**

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. However, we believe the significant deficiency described above is also a material weaknesses.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 5, 2007.

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



Mary Taylor, CPA
Auditor of State

December 5, 2007

**LOGAN COUNTY HEALTH DISTRICT
LOGAN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness

Proper Classification of Financial Activity

To assist in the effective management and reporting of financial resources, the District should have procedures in place to help assure that financial activity is correctly classified in the accounting records and financial statements. The District's 2006 accounting records and financial statements had revenue and/or expenditure classification errors of \$988,027 in the General Fund and \$287,291 in the Special Revenue Funds. In 2005, the accounting records and financial statements had revenue and/or expenditure classification errors of \$896,335 in the General Fund and \$91,692 in the Special Revenue Funds.

Revenue classification errors included the recording of property taxes levied on be-half of the District as tax revenue instead of intergovernmental revenue; a loan from another government was recorded as contractual services instead of note proceeds; sewage inspections, test holes and cite plans were recorded as fees instead of inspection fees; plumbing permits and registrations were recorded as other revenue instead of fees; tobacco payments were recorded as reimbursements instead of intergovernmental revenue; food service licenses were recorded as fees instead of licenses; and a FEMA grant was recorded as a reimbursement instead of intergovernmental revenue. Expenditure classification errors included the recording of contract services, utilities, state and federal remittances as other expenses; medical deductions were recorded as workers compensation instead of salaries; capital outlay expenditures were recorded as debt service principal instead of capital outlay; debt service principal and utilities was recorded as other expenses; an equipment purchase was recorded as supplies instead of equipment; Federal WIC and PHI expenditures were recorded as project fund expenses instead of salaries, supplies, contract services, travel, OPERS, workers compensation, hospital/life insurance, other, advances out, and remittances to State and Federal.

The failure to correctly record financial activity could not only impact the users' understanding of the financial operations, it also inhibited the Board and management's ability to make sound financial decisions, and may impact the District's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to reflect this revenue and expenditure activity in the correct classification.

The District should review governmental accounting resources for guidance in the recording of financial activity. In addition, the District should consider utilizing the example health district financial statements that are available on the Auditor of State web site for preparing annual financial statements. These financial statements, which are available in an electronic format, could also be utilized to prepare individual fund statements for internal use at the Health District. The District's Board and management should also perform a periodic review of the financial records to help identify financial activity recording errors.

OFFICIALS' RESPONSE

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



Mary Taylor, CPA
Auditor of State

LOGAN COUNTY HEALTH DISTRICT

LOGAN 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**