



**MADISON COUNTY - LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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Mary Taylor, CPA

Auditor of State

Madison County – London City Health District
Madison County
13 North Oak Street
London, Ohio 43140

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District 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.

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

Mary Taylor, CPA
Auditor of State

September 11, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison County – London City Health District
Madison County
13 North Oak Street
London, Ohio 43140

To the Members of the Board:

We have audited the accompanying financial statements of Madison County – London City Health District, Madison County, Ohio, (the District) as of and for the years ended December 31, 2006 and December 31, 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 District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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 December 31, 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 December 31, 2005, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison County – London City Health District, Madison County, Ohio, as of December 31, 2006 and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 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.



Mary Taylor, CPA
Auditor of State

September 11, 2007

**MADISON COUNTY - LONDON CITY GENERAL HEALTH DISTRICT
MADISON 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:			
Subdivisions	\$ 664,483	\$ -	\$ 664,483
Federal awards	-	171,527	171,527
Intergovernmental	61,255	155,025	216,280
Fees	35,699	166,176	201,875
Permits	30,642	62,845	93,487
Licenses	-	53,385	53,385
Other receipts	40,337	90,916	131,253
	<u>832,416</u>	<u>699,874</u>	<u>1,532,290</u>
Total Cash Receipts			
	<u>832,416</u>	<u>699,874</u>	<u>1,532,290</u>
Cash Disbursements:			
Salaries	323,158	653,031	976,189
Supplies	19,892	26,292	46,184
Remittances to State	-	6,884	6,884
Equipment	9,442	3,045	12,487
Senior Home Visits	-	20,730	20,730
Contracts - Services	130,137	-	130,137
IAP Immunization	-	20,586	20,586
Travel	8,350	24,550	32,900
Transportation	-	4,945	4,945
Services	-	21,979	21,979
Insurance	-	18,868	18,868
Advertising and printing	3,037	-	3,037
Public employee's retirement	41,258	85,568	126,826
Worker's compensation	5,443	10,305	15,748
Medicare	3,635	8,520	12,155
Other	62,417	102,056	164,473
	<u>606,769</u>	<u>1,007,359</u>	<u>1,614,128</u>
Total Disbursements			
	<u>606,769</u>	<u>1,007,359</u>	<u>1,614,128</u>
Total Receipts Over/(Under) Disbursements	<u>225,647</u>	<u>(307,485)</u>	<u>(81,838)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	220,000	220,000
Advances-In	15,000	-	15,000
Transfers-Out	(220,000)	-	(220,000)
Advances-Out	-	(15,000)	(15,000)
	<u>(205,000)</u>	<u>205,000</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(205,000)</u>	<u>205,000</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>20,647</u>	<u>(102,485)</u>	<u>(81,838)</u>
Fund Cash Balances, January 1	<u>610,715</u>	<u>529,356</u>	<u>1,140,071</u>
Fund Cash Balances, December 31	<u>\$ 631,362</u>	<u>\$ 426,871</u>	<u>\$ 1,058,233</u>

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

**MADISON COUNTY - LONDON CITY HEALTH DISTRICT
MADISON 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:			
Subdivisions	\$ 651,649	\$ -	\$ 651,649
Federal awards	-	240,570	240,570
Intergovernmental	42,740	178,458	221,198
Fees	36,897	164,931	201,828
Permits	32,608	102,492	135,100
Licenses	-	57,513	57,513
Other receipts	61,368	51,656	113,024
	<u>825,262</u>	<u>795,620</u>	<u>1,620,882</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries	311,096	601,670	912,766
Supplies	29,987	34,354	64,341
Remittances to State	-	6,863	6,863
Equipment	23,923	-	23,923
Senior Home Visits	-	3,953	3,953
Contracts - Services	142,575	24,017	166,592
IAP Immunization	-	17,859	17,859
Travel	8,186	22,289	30,475
Transportation	-	3,125	3,125
Insurance	-	28,004	28,004
Advertising and printing	1,155	-	1,155
Public employee's retirement	40,044	74,452	114,496
Worker's compensation	3,898	7,671	11,569
Medicare	3,526	7,674	11,200
Other	52,057	92,242	144,299
	<u>616,447</u>	<u>924,173</u>	<u>1,540,620</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>208,815</u>	<u>(128,553)</u>	<u>80,262</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	218,388	218,388
Advances-In	-	32,000	32,000
Transfers-Out	(218,388)	-	(218,388)
Advances-Out	(32,000)	-	(32,000)
	<u>(250,388)</u>	<u>250,388</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(41,573)	121,835	80,262
Fund Cash Balances, January 1	<u>652,288</u>	<u>407,521</u>	<u>1,059,809</u>
Fund Cash Balances, December 31	<u>\$ 610,715</u>	<u>\$ 529,356</u>	<u>\$ 1,140,071</u>

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

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON 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 Madison County – London City Health District, Madison County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District was established as a contractual union of the London City Health District with the Madison County Health District. The District operates under Section 3709.02 and 3709.07, the Ohio Revised Code, Administrative Codes, and any programs deemed necessary by the District. The District's services include the recording of certificates of vital statistics, immunization clinics, inspections, public health nursing services, and health-related issues, licenses and permits.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 include adequate disclosure of material matters, as the Auditor of State's prescribes or permits.

C. Cash

As required by Ohio Revised Code, the Madison 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 private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Women, Infants, and Children (WIC) Fund - This is a Federal grant fund which accounts for the money received and expended for the Special Supplemental Nutrition Program.

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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

2. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,389,340	\$832,416	(\$556,924)
Special Revenue	1,756,663	919,874	(836,789)
Total	\$3,146,003	\$1,752,290	(\$1,393,713)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,286,943	\$826,769	\$460,174
Special Revenue	1,313,726	1,007,359	306,367
Total	\$2,600,669	\$1,834,128	\$766,541

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,355,857	\$825,262	(\$530,595)
Special Revenue	1,436,346	1,014,008	(422,338)
Total	\$2,792,203	\$1,839,270	(\$952,933)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,054,254	\$834,835	\$219,419
Special Revenue	1,146,093	924,173	221,920
Total	\$2,200,347	\$1,759,008	\$441,339

3. INTERGOVERNMENTAL FUNDING

The 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. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

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 \$664,483 in 2006 and \$651,649 in 2005. The collections are reflected as Subdivision on the financial statements.

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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

4. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 and 8.5 percent of their gross salaries, respectively. The District contributed an amount equal to 13.7 and 13.55 percent of participants' gross salaries, respectively. The District has paid all contributions required through December 31, 2006.

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Property and general liability.

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 \$2,650,00 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.

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 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	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$41,000. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**MADISON COUNTY – LONDON CITY HEALTH DISTRICT
MADISON COUNTY**

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

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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.

<u>Contributions to PEP</u>	
2004	\$ 16,840
2005	\$ 16,242
2006	\$ 20,704

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal.

6. CONTINGENT LIABILITIES

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



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*

Madison County – London City Health District
Madison County
13 North Oak Street
London, Ohio 43140

To the Members of the Board:

We have audited the financial statements of Madison County – London City Health District, Madison County, Ohio (the District) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated September 11, 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.

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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 do not believe the significant deficiency described above is a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated September 11, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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 September 11, 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 the management and Members of the Board. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 11, 2007

MADISON COUNTY – LONDON CITY HEALTH DISTRICT
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

Finding Number	2006-001
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Noncompliance Citation/Significant Deficiency

Interest Allocation

Ohio Rev. Code Section 135.21 provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs.

The District's fiscal agent, Madison County, has not posted any interest to the District's funds. Because of this, interest due to the District has been allocated to other funds and has not been available to the District.

We recommend that the District Board and the County Treasurer calculate the amount of interest that is due to the District and transfer this money into the District's funds. We also recommend that at least annually, or however often the County Treasurer posts interest to other funds, the interest earned on the funds under the control of the District Board is credited to the District's funds

Officials' Response:

It is by agreement between the Board of Commissioners of Madison County and the Board of Trustees of the Madison County Health District that the following is done with interests earned from the unencumbered balance of Health Department money that has been invested. Because of Madison County Commissioners providing office space, utilities and phone service for the Health District, the District is allowing interest earned from the unencumbered investment balance to be applied toward rent or payment of utilities and phone service.



Mary Taylor, CPA
Auditor of State

MADISON COUNTY LONDON CITY HEALTH DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**