



**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2012-2011**



Dave Yost • Auditor of State

Members of the Board
Ashtabula County District Board of Health
12 West Jefferson Street
Jefferson, Ohio 44047

We have reviewed the *Independent Auditor's Report* of the Ashtabula County District Board of Health, Ashtabula County, prepared by Canter & Associates, for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ashtabula County District Board of Health is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 26, 2013

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**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

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6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

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INDEPENDENT AUDITOR'S REPORT

General Health District
Ashtabula County
12 West Jefferson Street
Jefferson, Ohio 44047

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the General Health District, Ashtabula County, (the District) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General Health District, Ashtabula County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

During 2011 the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Canter & Associates



August 15, 2013

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards	\$0	\$172,069	\$172,069
Inspection fees	88,429	60,101	148,530
Permits	0	300,512	300,512
Subdivision Assessment	725,000	0	725,000
Licenses	58,667	0	58,667
State Monies	0	102,846	102,846
Other receipts	40,000	134,847	174,847
	<u>912,096</u>	<u>770,376</u>	<u>1,682,472</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries	417,903	439,517	857,420
Supplies	12,124	61,935	74,059
Remittances to State	0	111,516	111,516
Equipment	5,255	3,500	8,755
Contracts - Repair	19,730	0	19,730
Contracts - Services	58,894	61,453	120,347
Rental	0	1,500	1,500
Travel	33,620	61,329	94,949
Utilities	0	6,034	6,034
Insurance	13,160	0	13,160
Public employee's retirement	138,004	113,627	251,631
Project Fund Expenditures	0	1,474	1,474
Other	98,195	0	98,195
	<u>796,886</u>	<u>861,885</u>	<u>1,658,771</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>115,210</u>	<u>(91,509)</u>	<u>23,701</u>
Other Financing Receipts/(Disbursements):			
Advances-In	66,241	66,241	132,482
Advances-Out	<u>(66,241)</u>	<u>(66,241)</u>	<u>(132,482)</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	115,210	(91,509)	23,701
Fund Cash Balances, January 1	<u>884,296</u>	<u>668,496</u>	<u>1,552,793</u>
Fund Cash Balances, December 31			
Restricted		576,987	576,987
Unassigned	<u>999,506</u>		<u>999,506</u>
Fund Cash Balances, December 31	<u>\$999,506</u>	<u>\$576,987</u>	<u>\$1,576,494</u>

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

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal awards	\$0	\$214,402	\$214,402
Inspection fees	56,371	54,044	110,415
Permits	0	81,999	81,999
Subdivision Assessment	725,000	0	725,000
Licenses	62,442	214,025	276,467
State Monies	0	108,359	108,359
Other receipts	107,835	37,404	145,239
	<u>951,648</u>	<u>710,233</u>	<u>1,661,881</u>
Total Cash Receipts			
	<u>951,648</u>	<u>710,233</u>	<u>1,661,881</u>
Cash Disbursements:			
Salaries	592,030	218,206	810,236
Supplies	60,441	19,850	80,291
Remittances to State	0	92,943	92,943
Equipment	0	14,869	14,869
Contracts - Repair	45,953	0	45,953
Contracts - Services	79,754	37,077	116,831
Travel	38,151	43,154	81,306
Insurance	133,682	5,554	139,236
Public employee's retirement	90,557	8,205	98,762
Worker's compensation	7,621	0	7,621
Project Fund Expenditures	0	238,781	238,781
Other	106,227	0	106,227
	<u>1,154,415</u>	<u>678,639</u>	<u>1,833,054</u>
Total Disbursements			
	<u>1,154,415</u>	<u>678,639</u>	<u>1,833,054</u>
Total Receipts Over/(Under) Disbursements	<u>(202,767)</u>	<u>31,593</u>	<u>(171,173)</u>
Other Financing Receipts/(Disbursements):			
Advances-In	49,162	49,162	98,324
Advances-Out	(49,162)	(49,162)	(98,324)
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(202,767)</u>	<u>31,593</u>	<u>(171,173)</u>
Fund Cash Balances, January 1	<u>1,087,063</u>	<u>636,903</u>	<u>1,723,966</u>
Fund Cash Balances, December 31			
Restricted		668,496	668,496
Unassigned	884,296		884,296
	<u>884,296</u>	<u>668,496</u>	<u>884,296</u>
Fund Cash Balances, December 31	<u>\$884,296</u>	<u>\$668,496</u>	<u>\$1,552,793</u>

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

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3709.01, Revised Code, the General Health District, Ashtabula County (the District) consists of the County's 27 Townships, 7 Villages, and 1 City not incorporated as a City Health District within Ashtabula County. The chief executive officer of each constituent political subdivision serves on the District Advisory Council, which meets annually on the fourth Thursday in March to appoint the members of the General Health District, Ashtabula County, or to fill any Board vacancies that may have occurred. The General Health District appoints a Health Commissioner to a term not to exceed 5 years. As chief executive officer, the Health Commissioner presides over the County Health Department and reports to the Board at its regular meeting on the second Wednesday of each month.

As a separate political entity, the General Health District operates autonomously from the government of Ashtabula County. However, the Revised Code charges the county auditor and county treasurer to serve in similar capacities for the District. Charged with maintaining the health and welfare of the General Health District, the General Health District is empowered to enforce the laws, rules and regulations as promulgated by the appropriate federal and state legislatures, departments, and agencies.

The General Health 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 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 include adequate disclosure of material matters, as the Auditor of State prescribes.

C. Deposits and Investments

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund accounts for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

These funds account for proceeds from specific sources (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:

Food Service Fund – This fund received monies from licenses issued to food service providers.

Public Health Nursing Fund – This fund receives fees for providing nursing services to the public, such as immunizations and physical testing and their related expenses.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

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 re-appropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 2.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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, 2012 & 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,130,600	\$912,096	(\$218,504)
Special Revenue	965,100	770,376	(194,724)
Total	\$2,095,700	\$1,682,472	(\$413,228)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,124,322	\$796,886	\$327,436
Special Revenue	1,105,716	861,885	243,831
Total	\$2,230,039	\$1,658,771	\$571,268

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$958,700	\$951,648	(\$7,052)
Special Revenue	830,932	710,233	(120,699)
Total	\$1,789,632	\$1,661,881	(\$127,751)

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

2. BUDGETARY ACTIVITY (continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,463,243	\$1,154,415	\$308,828
Special Revenue	961,752	678,639	283,113
Total	\$2,424,995	\$1,833,054	\$591,941

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 if received.

4. RETIREMENT SYSTEM

The General Health 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 the plan benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, OPERS members contributed 10.0 percent of their gross salaries. The General Health District contributed an amount equal to 14.0 percent, of participants’ gross salaries. The District has paid all contributions required through December 31, 2012 and 2011.

5. 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.

Risk Pool Membership

The General Health District is a member of the Public Entity Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

5. RISK MANAGEMENT (Continued)

PEP is a member of the American Public Entity Excess Pool (APEEP), which is also a member of ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$ 33,362,404
Liabilities	<u>(14,208,353)</u>	<u>\$ (14,187,273)</u>
Net Assets	<u>\$20,181,216</u>	<u>\$ 19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$5,588.

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 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.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 & 2011**

6. RISK MANAGEMENT (Continued)

	<u>Contributions to PEP</u>
2012	\$6,498
2011	\$7,113
2010	\$8,984

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



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

General Health District
Ashtabula County
12 West Jefferson Street
Jefferson, Ohio 44047

To the Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the General Health District, Ashtabula County, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 15, 2013 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and adopted Governmental Accounting Standards Board Statement 54.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. We consider findings 2011-01, 2011-02, 2012-01, and 2012-02 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2011-01, 2011-02, 2012-01 and 2012-02.

General Health District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Canter & Associates



August 15, 2013

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 & 2011**

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

FINDING NUMBER 2011-01 & 2012-01

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

PURCHASE ORDERS

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 - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority. [Section 5705.41(D)].

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 Health District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 & 2011**

FINDING NUMBER 2011-01 & 2012-01 (continued)

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

PURCHASE ORDERS

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2012 and 2011, 35% and 20%, respectively, of the expenditures tested were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. By not certifying expenditures prior to incurring the obligation, the District can expend money that is not available for use. The District should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

During 2012 and 2011, the District utilized any open purchase order to pay for services, supplies, and other expenditures whether or not that purchase order was for that particular expenditure. It was also found that adequate supporting documentation was not always available. By not providing adequate supporting documentation and utilizing the correct purchase order, the District has no way to verify the expenditure is a proper expenditure or that the services have been performed. By not utilizing the proper purchase order the District can expend monies that were not properly appropriated for. The District should only utilize purchase orders for the appropriate expenditures and provide adequate supporting documentation for payment

Managements Response:

This District agrees with the finding and will follow the recommendations and ensure expenditures are properly certified and provide adequate supporting documentation.

FINDING NUMBER 2011-02 & 2012-02

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The restricted fund balance includes amounts when constraints are placed on the use of resources either by externally imposed creditors or imposed by enabling legislation. The assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

**GENERAL HEALTH DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 & 2011**

FINDING NUMBER 2011-02 & 2012-02 (continued)

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

FUND BALANCE CLASSIFICATION

The District did not classify funds in the General or Special Revenue Funds as unassigned or restricted. These amounts should have been classified as unassigned and restricted respectively.

Adjustments were recorded to the 2012 and 2011 financial statements to classify the amounts as restricted and unassigned.

In order to ensure the District's governmental fund balances are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

Managements Response:

GASB 54 is relatively new and fairly complex. Management will classify fund balances according to constraints as required by GASB 54.

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Dave Yost • Auditor of State

ASHTABULA COUNTY GENERAL HEALTH DISTRICT

ASHTABULA 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
OCTOBER 10, 2013**