



**Auditor of State
Betty Montgomery**

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Washington County
342 Muskingum Drive
Marietta, Ohio 45750

To the Members of the Board:

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

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District Board of Health, Washington County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Public Health Nursing, Public Health Infrastructure, and Cardiovascular Health Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

May 3, 2006

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The discussion and analysis of the District Board of Health's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the year 2005 are as follows:

- Net assets decreased \$19,200. We are concerned with the decline as it follows a decline in the previous fiscal year as well. This reflects a significant decrease in both restricted and unrestricted funds.
- The Public Health Nursing program exceeded revenue estimates for fiscal year 2005. This program continues to provide service efficiently and billing has increased in most nursing activities.
- The department received two large grants totaling over \$500,000 in revenues and disbursements.

Using the Basic Financial Statements

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

This annual report consists of a series of financial statements and notes to the statements. The statements are organized to the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide in increasingly detailed look at specific financial activities and conditions on a modified cash basis of accounting.

The Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified Cash Basis provided information about the activities of the whole District, presenting both an aggregate view of the District's finances in a longer-term view of those finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. The statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to financial statements are an integral part of the government wide and fund financial statements and provide expanded explanation in detail regarding information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

As a result of using the modified cash basis of accounting, certain assets and the related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information in discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Health District as a Whole

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

The statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Overtime, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District property tax base, the condition of the District's capital assets, the reliance on non-local financial resources for operations and the need for continued growth.

In the Statement of Net Assets – Modified Cash basis in the Statement of Activities – Modified Cash Basis, the District's major programs are reported. Charges for services and state and federal grants finance most of these activities. To a significant extent, benefits provided through the governmental activities are being paid for by the people receiving them.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds - not the District as a whole. The District establishes separate funds to better manage its many activities into the help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the District are governmental.

Governmental Funds - The District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the District's governmental operations and the health services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's health programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund, the Public Health Nursing Fund, the Cardiovascular Health Fund, and the Public Health Infrastructure Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity wide statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The Health District as a Whole

Table 1 provides a summary of the District's net assets for 2005 on a modified cash basis. Since the 2004 financial statements were not presented in the modified cash basis format we are unable to compare the 2005 net assets to 2004 net assets. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 1
Net Assets - Modified Cash Basis**

	Governmental Activities
	2005
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 180,990
Net Assets	
Restricted for Other Purposes	\$ 128,527
Unrestricted	52,463
Total Net Assets	\$ 180,990

Table 2 reflects the changes in net assets in 2005. Since the District did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

**Table 2
Change in Net Assets**

	Governmental Activities
Program Cash Receipts	
Charges for Services	\$ 299,536
Operating Grants and Contributions	665,254
Total Program Cash Receipts	964,790
General Receipts	
Property Taxes Levied for General Health District Purposes	200,000
Grants and Entitlements not Restricted to Specific Programs	12,444
Reimbursement from PHI	23,216
Miscellaneous	352
Total General Receipts	236,012
Total Receipts	1,200,802
Disbursements	
Environmental	125,371
Nursing	176,512
Vital Statistics	19,329
Commercial Plumbing	36,779
Cardiovascular Health	190,600
Infrastructure	384,550
Dental Sealant	31,876
Administration	240,989
Other Unspecified	13,996
Total Disbursements	1,220,002
Change in Net Assets	(19,200)
Net Assets Beginning of Year	200,190
Net Assets End of Year	\$ 180,990

In 2005, 20 percent of the District's total receipts were from general receipts, consisting mainly of property taxes levied for general health district purposes. Program receipts accounted for 80 percent of the District's total receipts in year 2005. These receipts consist primarily of charges for services for birth and death certificates, food service licenses, trailer parks, swimming pools and spas, and water system permits and state and federal operating grants and donations.

Governmental Activities

If you look at the Statement of Activities – Modified Cash Basis, you'll see that the first column lists the major services provided by the District. The next column identifies the cost of providing these services. The major program disbursements for governmental activities other than grants are for administration and public health infrastructure activities, which account for 20 percent and 32 percent, respectively.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The next two columns of the Statement entitled "Program Receipts" identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service.

The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local townships and municipalities, taxpayers, and state subsidies. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
Environmental	\$ 125,371	\$ (12,362)
Nursing	176,512	10,130
Vital Statistics	19,329	(59)
Commercial Plumbing	36,779	11,021
Cardiovascular Health	190,600	11,004
Infrastructure	384,550	(27,266)
Dental Sealant	31,876	4,242
Administration	240,989	(240,989)
Other Unspecified	13,996	(10,933)
	<u>\$ 1,220,002</u>	<u>\$ (255,212)</u>

The Health District's Funds

The governmental funds had total receipts of \$1,200,802 and disbursements of \$1,220,002 and a decrease in the cash balance of \$19,200.

General Fund Budgeting Highlights

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

During 2005, the District amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were significant changes between the original estimated and final actual receipts and disbursements.

Contacting the Health District Financial Management

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the District's finances and reflect the District's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jeannie W. Farnsworth, Washington County Health Department, 342 Muskingum Drive, Marietta, Ohio, 45750.

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**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 180,990
Total Assets	<u>\$ 180,990</u>
Net Assets:	
Restricted for:	
Other Purposes	\$ 128,527
Unrestricted	52,463
Total Net Assets	<u>\$ 180,990</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Sales and Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Environmental	\$ 125,371	\$ 111,629	\$ 1,380	\$ (12,362)
Nursing	176,512	120,037	66,605	10,130
Vital Statistics	19,329	19,270		(59)
Commercial Plumbing	36,779	47,800		11,021
Cardiovascular Health	190,600		201,604	11,004
Infrastructure	384,550	800	356,484	(27,266)
Dental Sealant	31,876		36,118	4,242
Administration	240,989			(240,989)
Other Unspecified	13,996		3,063	(10,933)
Total Governmental Activities	\$ 1,220,002	\$ 299,536	\$ 665,254	(255,212)
General Receipts:				
				200,000
				12,444
				23,216
				352
				236,012
				(19,200)
				200,190
				\$ 180,990

See accompanying notes to the basic financial Statements

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Public Health Infrastructure</u>	<u>Cardiovascular Health</u>	<u>Public Health Nursing</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 52,463	\$ 42,997	\$ 17,221	\$ 45,062	\$ 23,247	\$ 180,990
Total Assets	<u>\$ 52,463</u>	<u>\$ 42,997</u>	<u>\$ 17,221</u>	<u>\$ 45,062</u>	<u>\$ 23,247</u>	<u>\$ 180,990</u>
Fund Balances						
Reserved						
Reserved for Encumbrances	\$ 3,871	\$ 7,066	\$ 14,442	\$ 5,288	\$ 2,584	\$ 33,251
Unreserved						
Undesignated (Deficit), Reported in:						
General Fund	48,592					48,592
Special Revenue Funds		35,931	2,779	39,774	20,663	99,147
Total Fund Balances	<u>\$ 52,463</u>	<u>\$ 42,997</u>	<u>\$ 17,221</u>	<u>\$ 45,062</u>	<u>\$ 23,247</u>	<u>\$ 180,990</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Public Health Infrastructure	Cardiovascular Health	Public Health Nursing	Other Governmental Funds	Total Governmental Funds
Cash Receipts						
Intergovernmental	\$ 212,444	\$ 356,484	\$ 201,604	\$ 66,605	\$ 36,118	\$ 873,255
Licenses, Permits, and Fees	121,168			85,271	51,917	258,356
Charges for Services	1,380	800		32,678	3,912	38,770
Miscellaneous Receipts	25,346			3,370	1,705	30,421
Total Cash Receipts	360,338	357,284	201,604	187,924	93,652	1,200,802
Cash Disbursements						
Administration	215,488			24,382	1,119	240,989
Nursing	26,875			149,637		176,512
Environmental	63,054				62,317	125,371
Cardiovascular Health			187,887	2,713		190,600
Infrastructure	8,495	376,055				384,550
Dental Sealant					31,876	31,876
Commercial Plumbing	36,779					36,779
Other Unspecified	13,996					13,996
Vital Statistics	19,329					19,329
Total Cash Disbursements	384,016	376,055	187,887	176,732	95,312	1,220,002
Excess of Cash Receipts Over Cash Disbursements	(23,678)	(18,771)	13,717	11,192	(1,660)	(19,200)
Other Financing Sources (Uses)						
Advances In	3,630					3,630
Advances Out			(3,604)		(26)	(3,630)
Total Other Financing Sources (Uses)	3,630	0	(3,604)	0	(26)	0
Net Change in Fund Balances	(20,048)	(18,771)	10,113	11,192	(1,686)	(19,200)
Fund Balances Beginning of Year	72,511	61,768	7,108	33,870	24,933	200,190
Fund Balance End of Year	<u>\$ 52,463</u>	<u>\$ 42,997</u>	<u>\$ 17,221</u>	<u>\$ 45,062</u>	<u>\$ 23,247</u>	<u>\$ 180,990</u>

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Cash Receipts				
Intergovernmental	\$ 212,000	\$ 212,000	\$ 212,444	\$ (444)
Licenses, Permits, and Fees	98,000	98,000	121,168	(23,168)
Charges for Services	33,000	33,000	1,380	31,620
Miscellaneous Receipts	2,000	2,000	25,346	(23,346)
Total Cash Receipts	<u>345,000</u>	<u>345,000</u>	<u>360,338</u>	<u>(15,338)</u>
Cash Disbursements				
Administration	348,917	407,946	219,359	188,587
Nursing			26,875	
Environmental			63,054	
Infrastructure			8,495	
Commercial Plumbing			36,779	
Other Unspecified			13,996	
Vital Statistics			19,329	
Total Cash Disbursements	<u>348,917</u>	<u>407,946</u>	<u>387,887</u>	<u>20,059</u>
Excess of Cash Receipts Over Cash Disbursements	(3,917)	(62,946)	(27,549)	(35,397)
Other Financing Sources				
Advances In			3,630	(3,630)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>3,630</u>	<u>(3,630)</u>
Net Change in Fund Balances	(3,917)	(62,946)	(27,549)	(35,397)
Prior Year Encumbrances Appropriated	3,917	3,917	3,917	0
Fund Balances Beginning of Year	<u>68,594</u>	<u>68,594</u>	<u>68,594</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 68,594</u>	<u>\$ 9,565</u>	<u>\$ 44,962</u>	<u>\$ (35,397)</u>

See accompanying notes to the basic financial statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
PUBLIC HEALTH NURSING FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Cash Receipts				
Intergovernmental	\$	\$	\$ 66,605	\$ 66,605
Licenses, Permits, and Fees			85,271	85,271
Charges for Services	170,000	170,000	32,678	(137,322)
Miscellaneous Receipts			3,370	3,370
Total Cash Receipts	<u>170,000</u>	<u>170,000</u>	<u>187,924</u>	<u>17,924</u>
Cash Disbursements				
Administration			24,382	24,382
Nursing	173,878	183,101	154,925	(28,176)
Cardiovascular Health			2,713	2,713
Total Cash Disbursements	<u>173,878</u>	<u>183,101</u>	<u>182,020</u>	<u>(1,081)</u>
Excess of Cash Receipts Over Cash Disbursements	(3,878)	(13,101)	5,904	19,005
Prior Year Encumbrances Appropriated	3,878	3,878	3,878	0
Fund Balances Beginning of Year	<u>29,992</u>	<u>29,992</u>	<u>29,992</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 29,992</u>	<u>\$ 20,769</u>	<u>\$ 39,774</u>	<u>\$ 19,005</u>

See accompanying notes to the basic financial statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
PUBLIC HEALTH INFRASTRUCTURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Cash Receipts				
Intergovernmental	\$ 113,876	\$ 356,292	\$ 356,484	\$ 192
Charges for Services			800	800
Total Cash Receipts	113,876	356,292	357,284	992
Cash Disbursements				
Infrastructure	174,204	389,350	383,121	(6,229)
Total Cash Disbursements	174,204	389,350	383,121	(6,229)
Excess of Cash Receipts Over Cash Disbursements	(60,328)	(33,058)	(25,837)	7,221
Prior Year Encumbrances Appropriated	29,265	29,265	29,265	0
Fund Balances Beginning of Year	32,503	32,503	32,503	0
Fund Balance End of Year	<u>\$ 1,440</u>	<u>\$ 28,710</u>	<u>\$ 35,931</u>	<u>\$ 7,221</u>

See accompanying notes to the basic financial statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL (BUDGET BASIS)
CARDIOVASCULAR HEALTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actuals</u>	<u>Variance</u>
Cash Receipts				
Intergovernmental	\$ 201,604	\$ 206,791	\$ 201,604	\$ (5,187)
Total Cash Receipts	201,604	206,791	201,604	(5,187)
Cash Disbursements				
Cardiovascular Health	207,771	212,958	202,329	(10,629)
Total Cash Disbursements	207,771	212,958	202,329	(10,629)
Excess of Cash Receipts Over Cash Disbursements	(6,167)	(6,167)	(725)	5,442
Other Financing (Uses)				
Transfers Out			(3,604)	(3,604)
Total Other Financing (Uses)	0	0	(3,604)	(3,604)
Net Change in Fund Balances	(6,167)	(6,167)	(4,329)	1,838
Prior Year Encumbrances Appropriated	6,167	6,167	6,167	0
Fund Balances Beginning of Year	941	941	941	0
Fund Balance End of Year	<u>\$ 941</u>	<u>\$ 941</u>	<u>\$ 2,779</u>	<u>\$ 1,838</u>

See accompanying notes to the basic financial statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

Note 1 - Reporting Entity

A five-member Board of Health appointed by the District Advisory Counsel governs the District. The Board appoints a health commissioner and all employees of the District. The District services include communicable disease investigations, immunization clinics, inspections, public health nursing services in the issuance of health related licenses and permits.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted of the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. The statements include the financial activities of the primary government. The statements usually distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the District at year-end. The statement of activities compares disbursements and program receipts for each program or function of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible.

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support our particular program.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is financed on a cash basis or draws from the general receipts of the District.

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balances are available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Public Health Nursing Fund - The Public Health Nursing Fund accounts for all financial resources received and disbursed for the delivery of public health nursing services. These services include, but are not limited to, immunizations, clinics, infectious disease surveillance and investigation, school nurse contract and speech therapy.

Cardiovascular Health Fund - The Cardiovascular Health Fund accounts for the grant funds awarded by the Ohio Department of Health for this particular program.

Public Health Infrastructure Fund - The Public Health Infrastructure Fund accounts for the grant funds awarded by the Ohio Department of Health for this particular program.

The other governmental funds of the District account for grants and other resources whose uses are restricted for particular purposes.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

As a result of the use of this modified cash basis of accounting, certain assets in the related revenues (such as accounts receivable and revenue for build or provided services not yet collected) and certain liabilities and the related expenses (such as accounts payable in expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Health may appropriate. The appropriations resolution is the Board of Health's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board of Health. The legal level of control has been established by the Board of Health at the fund and function level for all funds.

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

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

E. Cash and Investments

The County Treasurer is the custodian for the District's cash and investments. The County's cash and investment pool holds the District's cash, which is reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County Treasurer, Dorothy Peppel, 205 Putnam Street, Marietta, Ohio 45750.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include programs mandated by the Ohio Revised Code and grants awarded by the Ohio Department of Health or other agencies. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

L. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement of repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Change in Basis of Accounting

Last year the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the District has implemented the modified cash basis of accounting described in Note 2, comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances that are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than any as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$	3,871
Major Special Revenue Funds:		
Public Health Nursing Fund		5,288
Cardiovascular Health Fund		14,442
Public Health Infrastructure Fund		7,066

Note 5 - Risk Management

Risk Pool Membership

The District belongs to the County Risk Sharing Authority (CORSA), a risk sharing pool available through the County Commissioners Association of Ohio. The County Commissioners pay annual contributions and the cost is shared across all covered departments.

Casualty Coverage

CORSA breaks down the total program costs by the following coverages: Property, Auto, General Liability, Public Officials Liability, Law Enforcement, and Medical Professional Liability.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 6 – Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 and 2004, were \$50,112 and \$48,681 respectively; 100 percent has been contributed for 2005 and 100 percent for 2004.

Note 7 – Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

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

Note 7 – Postemployment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual District contributions for 2005 which were used to fund postemployment benefits were \$20,989. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 8 – Lease Agreements

The District entered into lease agreements during 2003 for three 2004 Chrysler Sebrings and a 2004 Honda CRV. The Sebrings are financed through Pioneer Chevrolet-Cadillac and the CRV is financed through Honda Finance. The Sebrings are financed over three years and the CRV is financed over 4 years. The scheduled payments under these lease obligations are as follows:

Year Ended December 31	Chrysler Sebrings	Honda CRV
2006	\$ 7,289	\$ 3,432
2007		2,288
Total Minimum Lease Payments	7,289	5,720
Less: Amount Representing Interest	(327)	(1,069)
Present Value of Net Minimum Lease Payments	\$ 6,962	\$ 4,651

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustments by the grantor, principally the federal government. Grantors 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.

Note 10 – Related Party Transactions

The District contracted with Board member Kenneth J. Leopold, MD, and his medical practice, Brockett and Leopold, Inc. as family practitioners. The term of the 2005 contract was for 12 clinics at a rate of \$210 per clinic. Dr. Leopold was also the County Coroner. The Board also contracted with Michael K. Brockett, MD, of Brockett and Leopold, Inc., as Medical Director. The term of the 2005 contract was for a stipend in the sum of \$100 per month.

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**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct from Federal Government:</i>			
Medicare Supplementary Medical Insurance	N/A	93.774	\$ 29,905
<i>Passed through Ohio Department of Job and Family Services:</i>			
Medical Assistance Program	N/A	93.778	27,916
<i>Passed through Ohio Department of Health:</i>			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	84-1-001-2-BI-05 84-1-001-2-BI-06	93.283	314,189 <u>61,866</u>
Total Centers for Disease Control and Prevention - Investigations and Technical Assistance			376,055
Preventive Health and Health Services Block Grant	84-1-001-2-ED-03	93.991	184,517
Maternal and Child Health Services Block Grant to the States	84-1-001-1-AJ-03	93.994	<u>22,500</u>
Total U.S. Department of Health and Human Services			<u>640,893</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Department of Public Safety:</i>			
Public Assistance Grants	167-0C4B6	97.036	<u>2,640</u>
Total U.S. Department of Homeland Security			<u>2,640</u>
Total Federal Awards Expenditures			<u>\$ 643,533</u>

The accompanying Note to the Schedule of Federal Awards Expenditures is an integral part of this Schedule.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

District Board of Health
Washington County
342 Muskingum Drive
Marietta, Ohio 45750

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District Board of Health, Washington County, Ohio (the District), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2006 wherein we noted the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated May 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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*. In a separate letter to the District's management dated May 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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District Board of Health
Washington County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Board of Health, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 3, 2006



**Auditor of State
Betty Montgomery**

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

District Board of Health
Washington County
342 Muskingum Drive
Marietta, Ohio 45750

To the Members of the Board:

We have audited the compliance of the District Board of Health, Washington County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement, that apply to its major federal program for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District Board of Health, Washington County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-001 and 2005-002. In a separate letter to the District's management dated May 3, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Health, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 3, 2006

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Centers for Disease Control and Prevention – Investigations and Technical Assistance – CFDA #93.283
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2005-001
CFDA Title and Number	Centers for Disease Control and Prevention – Investigations and Technical Assistance – CFDA #93.283
Federal Award Number / Year	84-1-001-2-BI-05 & 84-1-001-2-BI-06
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance Citation - Reporting

The Ohio Department of Health (ODH) Grants Administration Policy and Procedure Manual, Section 105, requires subgrantees to submit financial status reports for each grant. Subgrantee program expenditure reports must be completed, reporting funds received, disbursed or obligated and submitted via the Internet within 15 calendar days following the end of each quarter. Additionally, a final expense report reflecting total expenditures for the program period must be completed and submitted via the Internet within 45 days after the end of the grant year. The information contained in the reports must correspond with the program accounting records and supporting documentation.

The District's year-to-date expenditures and outstanding obligations (encumbrances) on the quarterly and final expenditure reports did not correspond to the District's accounting records. Expenditures and encumbrances were reported as follows:

Type of Report	Year-To-Date Expenditures	Encumbrances
2004 & 2005 Grant Year - Ending August 30, 2005		
Program Expenditure Reports - Second Quarter	\$ 52,705	\$ 26,205
District's Accounting Records	44,821	50,717
Difference	\$ 7,884	\$ (24,512)
Program Expenditure Reports - Third Quarter	\$ 67,613	\$ 29,239
District's Accounting Records	63,030	40,331
Difference	\$ 4,583	\$ (11,092)
Program Expenditure Reports - Fourth Quarter	\$ 157,979	\$ 48,261
District's Accounting Records	147,920	58,393
Difference	\$ 10,059	\$ (10,132)
Program Expenditure Reports - Final Report	\$ 378,246	\$ 0
District's Accounting Records	358,153	0
Difference	\$ 20,093	\$ 0

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2005-001 (Continued)

Noncompliance Citation – Reporting (Continued)

Type of Report	Year-To-Date Expenditures	Encumbrances
2005 & 2006 Grant Year - Ending August 30, 2006		
First Quarter Program Expenditure Report	\$ 49,335	\$ 6,877
District's Accounting Records	46,323	31,438
Difference	\$ 3,012	\$ (24,561)

This could result in a repayment of grant funds to ODH if the quarterly and final expenditure reports are not properly supported by the District's accounting records and could jeopardize future funding.

We recommend the District develop procedures that will ensure the expenditure reports to ODH are accurately supported by actual costs posted to their financial records.

Officials' Response and Corrective Action Plan

The bookkeeping system has undergone some upgrades. As of February 2006, there is a grant budget module that contains the approved budget line items. The transactions (expenditures and receipts) are linked to this information and the grant summary report can be run at any time to provide accurate information on budgeted line items, expenditures or receipts credited to the grant line item and the amount of the line item remaining.

For personnel cost reporting for grants, the fringe benefits were not broken down by employee. As of February 2006, the County Auditor began providing a breakdown of Medicare and PERS amounts paid by employee and fund. In grants funds, these are now linked to a specific line item in the grant.

In regards to encumbrances, the definition of "outstanding obligations" for the purposes of the ODH GAPP manual means an actual liability. In our bookkeeping system, an encumbrance represents the balance remaining on a purchase order. Consequently, blanket purchase orders may not have any actual outstanding liabilities. Accordingly, GAPP defined obligations will not coincide with our bookkeeping system balance for encumbrances.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2005-002
CFDA Title and Number	Centers for Disease Control and Prevention – Investigations and Technical Assistance – CFDA #93.283
Federal Award Number / Year	84-1-001-2-BI-05 & 84-1-001-2-BI-06
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

Noncompliance Citation/Questioned Cost – Period of Availability

Ohio Department of Health (ODH) Grants Administrative Policies and Procedures Manual Section 400.2 states the fourth quarterly report must contain all expenditures to date and outstanding obligations which have not been paid by the subgrantee. Section 400.0 states the program period is not closed until all obligations are liquidated or dissolved, ODH adjustments made, and the final cash balance is determined

The fourth quarter Subgrantee Expenditure Report for the grant period August 31, 2004 – August 30, 2005 did not include outstanding obligations for payroll and related payroll costs. However, County warrant 208142 was issued on December 14, 2005 in the amount of \$23,216 for an invoice dated November 30, 2004 for “salary and fringe benefit reimbursement FY04/05.” The warrant was payable to the Washington County Health Department and on December 20, 2005, \$21,956 was deposited into the District’s General Fund and \$1,260 to the Public Health Nursing Fund, both with the notation “reimbursement from PHI – 2004-2005 grant year.”

In addition, two outstanding obligations that were included on the fourth quarter Subgrantee Expenditure Report for the grant period August 31, 2004 – August 30, 2005 were liquidated after the Subgrantee Final Expenditure Report was filed on October 31, 2005. These expenditures included \$188 paid to Viking Office Products with warrant 205215 dated November 3, 2005, and \$310 paid to Best Western with warrant 205185 dated November 3, 2005.

As a result, the District liquidated \$23,714 after the Subgrantee Expenditure Report was filed, although the report included total program expenditures of \$378,246, cumulative grant funds received year-to date of \$378,246 and an available grant fund cash balance of \$0. In addition, in the case of the reimbursement to the Washington County Health Department, this amount was not recorded as an outstanding obligation on the fourth quarter Subgrantee Expenditure Report and appears to be included as an actual expenditure on the Subgrantee Final Expenditure Report. These errors appeared to be due in part to the District’s accounting system not being set up in a manner that allowed federal grant receipts and expenditures to be easily identifiable by year.

Accordingly, \$23,714 is considered Federal questioned costs. We recommend the District implement an accounting system that will easily identify federal grant receipts and expenditures by grant year.

Officials’ Response and Corrective Action Plan

The District Board of Health has contacted ODH regarding the audit finding. We will take the necessary action to correct the finding based upon guidance from ODH.

**DISTRICT BOARD OF HEALTH
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	A material federal noncompliance citation for not having a Single Audit performed within 9 months of year end.	Yes	N/A
2004-002	A material federal noncompliance citation for the expenditures and encumbrances per the quarterly and final expenditure reports not agreeing to the District's accounting system.	No	Not Corrected. This item is repeated in the current audit Schedule of Findings and Questioned Costs as finding 2005-001.
2004-003	A material federal noncompliance citation for expenditures being liquidated after the period of availability resulting in federal questioned costs.	No	Not Corrected. This item is repeated in the current audit Schedule of Findings and Questioned Costs as finding 2005-002.



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**DISTRICT BOARD OF HEALTH
WASHINGTON 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
JUNE 20, 2006**