



Mary Taylor, CPA
Auditor of State

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Auglaize County
214 South Wagner Street
Wapakoneta, Ohio 45895

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 General Health District, Auglaize County, (the District), as of and for the year ended December 31, 2006, 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 an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the General Health District, Auglaize County, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Public Health Infrastructure, and Women, Infants, and Children funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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.

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

Mary Taylor, CPA
Auditor of State

July 26, 2007

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

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

HIGHLIGHTS

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$92,455, or 21.5 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General fund.
- There was an insignificant (less than one percent) increase in disbursements in 2006 as compared to 2005. The greatest increase in expenditures, across all funds, was for salaries.
- The District's general receipts are primarily property taxes. These receipts represent 41 percent of the total cash received for District activities during the year. Property tax receipts for 2006 changed markedly in comparison with 2005, increasing by 30.8 percent. This was due to additional income from the 1.0 mill replacement local tax operating levy that was put in place by county voters in 2005.

USING THE BASIC FINANCIAL STATEMENTS

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

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

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

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

REPORTING THE HEALTH DISTRICT AS A WHOLE

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

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating.

When evaluating the District's financial condition, you should also consider other non-financial factors as well, such as the District's property tax base, the extent of the District's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all District activities are reported as governmental. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the District's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant Governmental funds are presented on the financial statements in separate columns.

The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major Governmental funds are the General Fund, the Public Health Infrastructure (PHI) grant fund, and the Women, Infants and Children (WIC) grant fund. The programs reported in Governmental funds are closely related to those reported in the Governmental Activities section of the entity-wide statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

THE DISTRICT AS A WHOLE

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

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$523,136	\$430,681
Total Assets	<u>\$523,136</u>	<u>\$430,681</u>
Net Assets		
Restricted	\$76,186	\$153,330
Unrestricted	446,950	277,351
Total Net Assets	<u>\$523,136</u>	<u>\$430,681</u>

As mentioned previously, net assets of Governmental activities increased \$92,455, or 21.5 percent, during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- There was significant growth in local tax receipts in comparison to the previous year. The District's operating levy in 2005 was based on 1995 property valuations; that levy expired on December 31, 2005. In May of 2005, the voters of Auglaize County approved a new 1.0 mill levy, based on 2005 property valuations. The income collected in 2006 from the replacement levy was approximately 31 percent higher than income received in 2005 from the expired levy.
- Income from fees for permits across all funds saw an increase of \$24,830, or about 10 percent over 2005. However, in the General Fund, permits for household sewage treatment systems (HSTS) more than doubled, up 124 percent over 2005. New state regulations regarding siting, design, and installation of such systems became effective January 1, 2007, and property owners are able to install under 2006 regulations as long as permits were issued by the end of 2006. Three times the average annual number of permits was issued in 2006, with more than half of the year's total income for HSTS permits received during the month of December.
- There was a very small increase in total disbursements (\$16,253 or .9 percent more than 2005 disbursements). Small increases in expenditures in some categories were balanced by significant reductions in expenditures in other categories.
- There were small increases (4 to 5 percent) in expenditures for salaries and employer contributions to Medicare tax and Ohio Public Employees Retirement System, due to annual employee pay increases of 3 percent that went into effect in January of 2006. However, expenditure for employee health insurance remained virtually identical to 2005; and income from employees' premium co-pays, which help offset health insurance costs, rose by \$5,763 or 60 percent, as the Board of Health implemented a plan for increasing employees' share of health insurance costs that are anticipated to rise over the next five years.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

- Disbursements for aggregate contract services increased by \$14,565 or 5.5 percent. This reflects the continued expansion of Licenses Social Worker services provided through contractual arrangement for the District's Women's Health Services and Family Planning clients. There were no significant changes in other contractual arrangements, except for a 3 percent decrease from 2005 in PHI grant contract allocations paid for the two health districts that are partners in the project.
- The only drastic change in disbursements was for equipment, which decreased from \$40,014 in 2005 to \$2,173 in 2006. The 2005 purchases had included specific equipment dedicated to the PHI project, while in 2006 equipment purchases were limited to upgrades in the District's existing computer network and a computer for a new employee.
- Income from immunizations, in the General fund, decreased more than 15 percent from its all-time high in 2005. 606 fewer immunization clients were served and 1,027 fewer total doses of vaccine were administered. Much of this decline was a consequence of delays in receiving influenza vaccine purchased from the Ohio Department of Health and scheduling "flu shot" clinics later in the year due to the unstable vaccine supply. 1,246 (40.5 percent) fewer flue vaccines were administered than in 2005, with a corresponding reduction in income for that aspect of the immunization program.
- Income in the District's largest grant, the PHI grant, was approximately 26 percent less than in 2005, and expenditures in that fund were nearly 6 percent lower than in 2005. The decrease in PHI income was not due to reduction in grant award, but rather to a delay in receiving the quarterly payment that was due in December 2006. Aggregate Special Revenue fund income decreased by \$110,227, or 14.5 percent; virtually all of that decrease is attributable to the delayed PHI quarterly payment, as the other Special Revenue funds saw no significant changes in income or expenditures in comparison to 2005.

Table 2 reflects the changes in net assets in 2006. A comparative analysis of District-wide data from 2005 to 2004 is presented.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services	\$440,959	\$418,485
Operating Grants	480,228	731,263
Total Program Receipts	921,187	1,149,748
General Receipts:		
Property and Other Local Taxes	770,874	596,929
Grants and Entitlements not Restricted to Other Programs	165,520	
Miscellaneous	24,805	20,251
Total General Receipts	961,199	617,180
Total Receipts	1,882,386	1,766,928

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities 2006	Governmental Activities 2005
Disbursements:		
Public Health Services	1,787,758	1,733,664
Capital Outlay	2,173	40,014
Total Disbursements	<u>1,789,931</u>	<u>1,773,678</u>
 Increase (Decrease) in Net Assets	 92,455	 (6,750)
 Net Assets, January 1	 <u>430,681</u>	 <u>437,431</u>
Net Assets, December 31	<u><u>\$523,136</u></u>	<u><u>\$430,681</u></u>

Program receipts represent 49 percent of total receipts and are primarily comprised of state and federal grants, which make up 52 percent of total program receipts; and licenses, permits, and fees for various services.

General receipts represent 51 percent of the District's total receipts, and of this amount, over 80 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for the District represent the overhead costs of running the District and the support services provided for the other District activities. These include primarily the costs of personnel and personnel support, as the primary product of the District is preventive health services which are labor-intensive.

Disbursements for 2006 were changed to show more detail than in 2005. Future years will show the disbursement comparisons at the more detail level.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service as well as grants received by the District that must be used to provide a specific service.

The Net Cost (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 2006	Program Receipts 2006	Net Cost of Services 2006
General Environmental Health	\$1,012,072	\$272,485	\$739,587
Food	74,775	74,910	(135)
Pools	5,821	4,275	1,546
Water	13,935	15,426	(1,491)
Camps/Manufactured Homes	7,851	5,206	2,645
Home Care Services	70,060	43,062	26,998
WIC	117,641	92,843	24,798
Immunizations	46,330	44,456	1,874
Child and Family Health Services	32,048	33,385	(1,337)
Other Community Health Services	91,799	89,306	2,493
Public Health Infrastructure	317,599	245,833	71,766
Total Expenses	<u>\$1,789,931</u>	<u>\$921,187</u>	<u>\$868,744</u>

THE DISTRICT'S FUNDS

Total Governmental funds had receipts of \$1,882,386 and disbursements of \$1,789,931. The greatest change within Governmental funds occurred within the General Fund, the balance of which increased as the result of a marked increase in income from the District's replacement operating levy.

Receipts were less than disbursements in nine of the District's twelve funds, but a cash transfer from the General Fund was necessary only in the Homemaker Services, Title X Family Planning, and WIC grant funds. The cash transfer of \$29,000 or 41 percent of the Homemaker account's total expenditures, was necessary because the Homemaker Services program is subsidized heavily by local tax receipts, as grant funding is no longer available to the District for those purposes, and raising fees high enough to completely cover the costs is not feasible in the foreseeable future. The cash transfers in the Title X Family Planning and WIC grant accounts were necessitated by delays in receiving grant payments from the Ohio Department of Health. Delayed Congressional approval of the federal budget resulted in Ohio Department of Health experiencing a delay in receipt of federal grant funds which are passed through to subgrantees. All other District fund accounts with 2006 disbursements totaling more than receipts began the year with cash balances that offset those expenditures.

BUDGETING HIGHLIGHTS

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

During 2006, the District amended its General and Special Revenue fund budget only once to reflect changing circumstances.

The most significant budgeted fund is the General Fund. Total final disbursements were budgeted at \$1,359,888 while total actual disbursements were \$1,075,761. The District kept spending very close to budgeted amounts. Only one of the grant funds has a fiscal year synchronized with the District's fiscal year; cash flows in the grant fund accounts vary widely according to grant cycles.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT

Capital Assets

The District does not currently report its capital assets and infrastructure. The District has not made plans to report this, as it is not required by current law.

Debt

At December 31, 2006, the District's outstanding debt included future lease payments for the office facility as well as accumulated sick and vacation leave balances for the District's employees. For further information regarding the District's debt, refer to Note 10 in the notes to the basic financial statements.

CURRENT ISSUES

The challenge for all Health Districts is to provide high quality preventive health services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes, and the county's industry is now in the early stages of recovering from a downturn in the past few years. The recent passage of a replacement levy for operating expenses allows for moderate increases in the total dollar amount in local tax receipts in the next five years. With these resources, along with conservative spending, the District can continue its slow rate of financial growth, and can be assured that basic service provision can continue even with shrinkage of grant funding. We plan to continue the same programs, with only minor changes, for the next three years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Health District's finances and to reflect the Health District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Charlotte Parsons, Health Commissioner, Auglaize County Health District, 214 South Wagner St., Wapakoneta, Ohio 45895.

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**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$523,136
Total Assets	<u>523,136</u>
Net Assets	
Restricted for:	
Other Purposes	76,186
Unrestricted	<u>446,950</u>
Total Net Assets	<u>\$523,136</u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Primary Government Governmental Activities</u>
Governmental Activities			
Environmental Health:			
General Environmental Health	\$1,012,072	\$272,485	(\$739,587)
Food	74,775	74,910	135
Pools	5,821	4,275	(1,546)
Water	13,935	15,426	1,491
Camps/Manufactured Homes	7,851	5,206	(2,645)
Home Care Services	70,060	43,062	(26,998)
Community Health Services:			
WIC	117,641		\$92,843 (24,798)
Immunizations	46,330		44,456 (1,874)
Child and Family Health Services	32,048		33,385 1,337
Other Community Health Services	91,799	25,595	63,711 (2,493)
Health Promotion and Planning:			
Public Health Infrastructure	317,599		245,833 (71,766)
Total Governmental Activities	\$1,789,931	\$440,959	\$480,228 (868,744)
General Receipts			
Property Taxes Levied for			
General Health District Purposes			770,874
Grants and Entitlements not			
Restricted to Specific Programs			165,520
Miscellaneous			24,805
			<u>961,199</u>
Total General Receipts			961,199
Change in Net Assets			92,455
Net Assets Beginning of Year			<u>430,681</u>
Net Assets End of Year			<u><u>\$523,136</u></u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Women, Infants, and Children</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$446,950		\$25,356	\$50,830	\$523,136
Total Assets	<u>446,950</u>		<u>25,356</u>	<u>50,830</u>	<u>523,136</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	10,507		232	2,463	13,202
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	436,443				436,443
Special Revenue Funds			25,124	48,367	73,491
Total Fund Balances	<u>\$446,950</u>	<u>\$0</u>	<u>\$25,356</u>	<u>\$50,830</u>	<u>\$523,136</u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Women, Infants, and Children</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental Revenue	\$165,520	\$92,843	\$245,833	\$141,552	\$645,748
Tax Levies	767,321				767,321
Subdivisions	3,553				3,553
Licenses and Permits	69,098			99,817	168,915
Fees	203,387			20,185	223,572
Contract Services	5,410			43,062	48,472
Other Receipts	943	60	3,784	398	5,185
Total Receipts	<u>1,215,232</u>	<u>92,903</u>	<u>249,617</u>	<u>305,014</u>	<u>1,862,766</u>
Disbursements					
Current:					
Environmental Health:					
General Environmental Health	1,012,072				1,012,072
Food				74,775	74,775
Pools				5,821	5,821
Water				13,935	13,935
Camps/Manufactured Home Parks				7,851	7,851
Home Care Services				70,060	70,060
Community Health Services:					
WIC		117,641			117,641
Immunizations				46,330	46,330
Child and Family Health Services				32,048	32,048
Other Community Health Services				91,799	91,799
Health Promotion and Planning:					
Public Health Infrastructure			317,599		317,599
Total Disbursements	<u>1,012,072</u>	<u>117,641</u>	<u>317,599</u>	<u>342,619</u>	<u>1,789,931</u>
Excess of Receipts Over/ (Under) Disbursements	203,160	(24,738)	(67,982)	(37,605)	72,835
Other Financing Sources (Uses)					
Transfers In		6,959		46,223	53,182
Transfers Out	(53,182)				(53,182)
Reimbursements	19,620				19,620
Total Other Financing Sources (Uses)	<u>(33,562)</u>	<u>6,959</u>		<u>46,223</u>	<u>19,620</u>
Net Change in Fund Balances	169,598	(17,779)	(67,982)	8,618	92,455
Fund Balances Beginning of Year	<u>277,352</u>	<u>17,779</u>	<u>93,338</u>	<u>42,212</u>	<u>430,681</u>
Fund Balances End of Year	<u><u>\$446,950</u></u>	<u><u>\$0</u></u>	<u><u>\$25,356</u></u>	<u><u>\$50,830</u></u>	<u><u>\$523,136</u></u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$789,553	\$789,553	\$770,874	(\$18,679)
Intergovernmental	103,427	103,427	165,520	62,093
Fines, Licenses and Permits	242,000	242,000	272,485	30,485
Contract Services	11,000	11,000	5,410	(5,590)
Miscellaneous	1,000	1,000	943	(57)
Total Receipts	<u>1,146,980</u>	<u>1,146,980</u>	<u>1,215,232</u>	<u>68,252</u>
Disbursements				
Current:				
Environmental Health:				
General Environmental Health	1,289,888	1,289,888	1,022,579	267,309
Total Disbursements	<u>1,289,888</u>	<u>1,289,888</u>	<u>1,022,579</u>	<u>267,309</u>
Excess of Receipts Over (Under) Disbursements	(142,908)	(142,908)	192,653	335,561
Other Financing Sources (Uses)				
Transfers Out	(70,000)	(70,000)	(53,182)	16,818
Other Financing Sources	35,573	35,573	19,620	(15,953)
Total Other Financing Sources (Uses)	<u>(34,427)</u>	<u>(34,427)</u>	<u>(33,562)</u>	<u>865</u>
Net Change in Fund Balances	(177,335)	(177,335)	159,091	336,426
Prior Year Encumbrances Appropriated	10,788	10,788	10,788	
Fund Balances Beginning of Year	<u>266,564</u>	<u>266,564</u>	<u>266,564</u>	
Fund Balances End of Year	<u>\$100,017</u>	<u>\$100,017</u>	<u>\$436,443</u>	<u>\$336,426</u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
WOMENS, INFANTS AND CHILDREN (WIC) FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$114,996	\$114,996	\$92,843	(\$22,153)
Other			60	60
Total Receipts	<u>114,996</u>	<u>114,996</u>	<u>92,903</u>	<u>(22,093)</u>
Disbursements				
Current:				
Community Health Services:				
WIC	<u>132,775</u>	<u>132,775</u>	<u>117,641</u>	<u>15,134</u>
Total Disbursements	<u>132,775</u>	<u>132,775</u>	<u>117,641</u>	<u>15,134</u>
Excess of Receipts Over (Under) Disbursements	(17,779)	(17,779)	(24,738)	(6,959)
Other Financing Sources				
Transfers In			<u>6,959</u>	<u>6,959</u>
Net Change in Fund Balances	(17,779)	(17,779)	(17,779)	
Prior Year Encumbrances Appropriated	96	96	96	
Fund Balances Beginning of Year	<u>17,683</u>	<u>17,683</u>	<u>17,683</u>	
Fund Balances End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
PUBLIC HEALTH INFRASTRUCTURE (PHI) FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$275,458	\$275,458	\$245,833	(\$29,625)
Other			3,784	3,784
Total Receipts	<u>275,458</u>	<u>275,458</u>	<u>249,617</u>	<u>(25,841)</u>
Disbursements				
Current:				
Public Health Infrastructure	381,421	381,421	317,831	63,590
Total Disbursements	<u>381,421</u>	<u>381,421</u>	<u>317,831</u>	<u>63,590</u>
Net Change in Fund Balances	(105,963)	(105,963)	(68,214)	37,749
Prior Year Encumbrances Appropriated	12,625	12,625	12,625	
Fund Balances Beginning of Year	<u>80,713</u>	<u>80,713</u>	<u>80,713</u>	
Fund Balances End of Year	<u>(\$12,625)</u>	<u>(\$12,625)</u>	<u>\$25,124</u>	<u>\$37,749</u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,518</u>
Total Assets	<u><u>6,518</u></u>
Net Assets	
Unrestricted	<u><u>\$6,518</u></u>

See accompanying notes to the basic financial statements.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. DESCRIPTION OF THE GENERAL HEALTH DISTRICT AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Auglaize County, (the District) as a body corporate and politic.

A five-member Board of Health governs the District and appoints a Health Commissioner and all employees. The District provides health services and issues health-related licenses and permits. They also act upon various complaints made to the District concerning the health and welfare of the County.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations ensuring that the financial statements of the District are not misleading. The District reports no component units or other organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

- 1. Government-wide Financial Statements:** The statement of net assets and a statement of activities display information about the District as a whole. The activities of the District are governmental in nature and are generally financed through taxes, intergovernmental receipts, or other non-exchange transactions.

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 with program receipts for each function or program 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.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program receipts include charges paid by the recipient of the goods or services offered by the program, and grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis of accounting.

2. **Fund Financial Statements** – During the year, the District segregates transactions related to 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 at a more detailed level. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the District are presented in two categories: governmental and fiduciary.

1. **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 for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Public Health Infrastructure (PHI) Fund - This fund receives Federal grant money used to provide services to control communicable diseases, chronic diseases and disorders, and other preventable health conditions.

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

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

2. **Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include agency funds. The following is the District's significant fiduciary fund:

Flexible Spending Fund - The District's only agency fund is an employee funded flexible spending fund to accommodate medical expenses that are not covered under the medical insurance plans.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds, except agency 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 the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the District may appropriate. The appropriations resolution is the District's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the District members. The District uses the object level within each fund and function as its legal level of control.

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 certificated of estimated resources in effect at the time final appropriations were passed by the District.

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

Budget versus actual statements for major funds are presented as part of the basic financial statements.

E. Cash and Investments

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash and investments. The County's cash and investment pool holds the District's assets, valued at the County Treasurer's reported carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these items as assets.

H. Compensated Absences

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

I. Fund Balance Reserves

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has reserved fund equity for encumbrances.

J. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Net 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.

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over 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.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

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 Change 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 cash basis is outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to:

General Fund	\$10,507
Major Special Revenue Funds:	
Public Health Infrastructure Fund	232
Other Governmental Funds	2,463

5. PROPERTY TAXES

The County Commissioners serve as a special taxing authority to levy a special levy outside the property tax ten-mill limitation to provide the District with sufficient funds to carry out health programs and general operations. During 2005, the County Commissioners placed a countywide levy of 1.0 mill on the ballot that gained approval by the electors of the county.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Governmental Activities:		
General	Homemaker	\$29,000
General	Salary Reserve	10,000
General	WIC	6,959
General	Title X Grant	5,923
General	Swimming Pools	1,033
General	Parks/Camps	268
		\$53,183

7. RISK MANAGEMENT

A. Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Employee health insurance
- Errors and omissions.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

7. RISK MANAGEMENT (Continued)

B. Risk Pool Membership

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage - Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position - PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

Casualty Coverage	2006	2005
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
Property Coverage	2006	2005
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

7. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively.

These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$17,332. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2004	\$8,271
2005	7,934
2006	8,666

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

For 2006, the District, through Auglaize County as their fiscal agent, participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the GRP"), an insurance purchasing pool.

The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate. The GRP then calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from, or pays rate equalization rebates to the various participants. Participation in the plan is limited to counties that can meet the Plan's selection criteria.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

7. RISK MANAGEMENT (Continued)

D. Employee Medical Benefits

The District participates in a health insurance plan through Anthem Blue Cross/Blue Shield for all employees. The fully insured plan includes health, vision, prescription, and life insurance benefits. In addition, the District has established a "Flexible Spending Account" to supplement the services provided under the health insurance plan. The plan is funded solely through voluntary employee payroll deductions, and employees file their own claims. This plan is administered by AFLAC.

The plan account activity was:

	Beginning of the Year	Deposits	Claims Paid	Balance at Year End
2006	\$6,208	\$28,821	\$28,511	\$6,518
2005	\$3,145	27,701	24,638	\$6,208

8. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

The District's required contributions for pension obligations to the traditional, combined and member directed plans for the years ended December 31, 2006, 2005, and 2004 were \$83,364, \$73,710 and \$66,249 respectively; 98 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

9. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPB) 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$40,766. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

10. OPERATING LEASE

The District is a party to a fifteen year lease for rental of office space. This lease was effective August 1, 1997, and terminates July 31, 2012. This lease requires the District to remit monthly payments on the first day of each month. The lease payment was fixed for the first ten years at \$5,000 per month. At the end of the first ten years, the lease rental payments increase to \$6,000 per month and will remain fixed through the remaining term of the lease.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

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

11. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
Women, Infants, and Children	06-1-001-1-CL-06	10.557	\$95,480
	06-1-001-1-CL-07		<u>22,311</u>
Total Women, Infants, and Children			117,791
Family Planning Services	06-1-001-1-XX-05	93.217	15,000
	06-1-001-1-XX-06		<u>11,157</u>
			26,157
Immunization Action Plan	06-1-001-2-AZ-06	93.268	33,397
Public Health Infrastructure	06-1-001-2-BI-06	93.283	220,665
	06-1-001-2-BI-07		<u>96,388</u>
Total Public Health Infrastructure			317,053
Medical Assistance Program		93.991	29,427
Child and Family Health Services	06-1-001-1-MC-06	93.994	5,508
	06-1-001-1-MC-07		<u>9,683</u>
Total Child and Family Health Services			15,191
Total Federal Financial Assistance			<u><u>\$539,016</u></u>

The accompanying notes are an integral part of this schedule.

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – COMMINGLING

Federal funds received from Immunization Action Plan, Medical Assistance Program, and Child and Family Health Services were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.



Mary Taylor, CPA

Auditor of State

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

General Health District
Auglaize County
214 South Wagner Street
Wapakoneta, Ohio 45895

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 General Health District, Auglaize County, (the District), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 26, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we reported to the District's management in a separate letter dated July 26, 2007.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, Members of the Board and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 26, 2007



Mary Taylor, CPA

Auditor of State

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

General Health District
Auglaize County
214 South Wagner Street
Wapakoneta, Ohio 45895

To the Members of the Board:

Compliance

We have audited the compliance of the General Health District, Auglaize County, (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, 2006. The summary of auditor's results section of the accompanying schedule of findings 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 each 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 General Health District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

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Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 26, 2007.

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



Mary Taylor, CPA
Auditor of State

July 26, 2007

**GENERAL HEALTH DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control 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 significant deficiencies in internal control 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?	No
(d)(1)(vii)	Major Programs (list):	Public Health Infrastructure 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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

AUGLAIZE 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
AUGUST 23, 2007**