



Mary Taylor, CPA
Auditor of State

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

Combined General Health District
Preble County
615 Hillcrest Drive
Eaton, Ohio 45320

To the Board of Health:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

May 21, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Combined General Health District
Preble County
615 Hillcrest Drive
Eaton, Ohio 45320

To the Board of Health:

We have audited the accompanying financial statements of the Combined General Health District, Preble County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Combined General Health District, Preble County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

May 21, 2008

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Federal Awards		\$335,553	\$335,553
Intergovernmental	\$447,361	57,924	505,285
Fees	19,084	160,823	179,907
Permits	26,284	28,772	55,056
Licenses	500	14,125	14,625
Fines		734	734
Registrations		4,475	4,475
Contractual Services	214,781		214,781
Miscellaneous	80,414	24,226	104,640
	788,424	626,632	1,415,056
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	589,595	396,280	985,875
Supplies	12,656	16,280	28,936
Remittances to State		25,050	25,050
Equipment	23,771	16,643	40,414
Contracts - Repair	5,100		5,100
Contracts - Services	50,157	34,660	84,817
Travel	7,918	11,286	19,204
Vehicles		1,927	1,927
Utilities and rentals	31,957	1,799	33,756
Advertising and printing	1,233		1,233
Public employee's retirement	70,911	22,897	93,808
Worker's compensation	6,285	1,945	8,230
Class Fees		58,741	58,741
Other	91,394	55,193	146,587
	890,977	642,701	1,533,678
Total Disbursements	890,977	642,701	1,533,678
Total Receipts (Under) Disbursements	(102,553)	(16,069)	(118,622)
Other Financing Receipts/(Disbursements):			
Transfers-In		3,651	3,651
Transfers-Out	(3,651)		(3,651)
Advances-In	45,000	45,000	90,000
Advances-Out	(45,000)	(45,000)	(90,000)
	(3,651)	3,651	0
Total Other Financing Receipts/(Disbursements)	(3,651)	3,651	0
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(106,204)	(12,418)	(118,622)
Fund Cash Balances, January 1	248,948	153,818	402,766
Fund Cash Balances, December 31	\$142,744	\$141,400	\$284,144
Reserves for Encumbrances, December 31	\$0	\$2,108	\$2,108

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

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Federal Awards		\$349,716		\$349,716
Intergovernmental	\$443,888	90,659		534,547
Fees	18,796	170,815		189,611
Permits	59,571	7,297		66,868
Licenses		14,150		14,150
Fines		481		481
Contractual Services	198,871			198,871
Miscellaneous	87,199	9,172		96,371
Total Cash Receipts	<u>808,325</u>	<u>642,290</u>	<u>0</u>	<u>1,450,615</u>
Cash Disbursements:				
Current Disbursements:				
Health:				
Salaries	601,231	366,599		967,830
Supplies	17,318	27,266		44,584
Remittances to State		23,208		23,208
Equipment	22,345	20,628		42,973
Contracts - Services	31,174	40,678		71,852
Travel	11,512	10,718		22,230
Vehicles		2,000		2,000
Utilities and rentals	30,843	1,837		32,680
Advertising and printing	1,324			1,324
Public employee's retirement	71,064	22,527		93,591
Worker's compensation	5,853	2,070		7,923
Class Fees		37,915		37,915
Other	71,551	41,340		112,891
Total Disbursements	<u>864,215</u>	<u>596,786</u>	<u>0</u>	<u>1,461,001</u>
Total Receipts Over/(Under) Disbursements	<u>(55,890)</u>	<u>45,504</u>	<u>0</u>	<u>(10,386)</u>
Other Financing Receipts/(Disbursements):				
Advances-In	55,000	55,000		110,000
Advances-Out	(55,000)	(55,000)		(110,000)
Other Financing Receipts			127,799	127,799
Other Financing Disbursements			(180,521)	(180,521)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>(52,722)</u>	<u>(52,722)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(55,890)</u>	<u>45,504</u>	<u>(52,722)</u>	<u>(63,108)</u>
Fund Cash Balances, January 1	<u>304,838</u>	<u>108,314</u>	<u>52,722</u>	<u>465,874</u>
Fund Cash Balances, December 31	<u><u>\$248,948</u></u>	<u><u>\$153,818</u></u>	<u><u>\$0</u></u>	<u><u>\$402,766</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$31</u></u>	<u><u>\$0</u></u>	<u><u>\$31</u></u>

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

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Combined General Health District, Preble County, Ohio (the District), as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

The District is also the fiscal agent for the Preble County Family and Children First Council [as of July 1, 2006, the District is no longer the fiscal agent]. This fund is reported as an agency fund on the District's books.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Child Passenger Safety Fund - This fund receives state grant funds and donations for providing child passenger safety services.

Public Health Infrastructure Fund - This fund receives Federal grant money for the Public Health Infrastructure Grant.

3. Fiduciary Fund (Agency Fund)

Funds for which the District is acting in an agency capacity are classified as agency funds. The District had the following Fiduciary Fund:

Preble County Family & Children First Council Fund – This fund is used to account for the activity of the Preble County Family & Children First Council. The District was no longer the Preble County Family and Children First Council's fiscal agent as of July 1, 2006. The activity is only included in the 2006 financial statements.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 2.

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,005,100	\$788,424	(\$216,676)
Special Revenue	691,268	630,283	(60,985)
Total	\$1,696,368	\$1,418,707	(\$277,661)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,233,681	\$894,628	\$339,053
Special Revenue	705,520	644,809	60,711
Total	\$1,939,201	\$1,539,437	\$399,764

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,019,500	\$808,325	(\$211,175)
Special Revenue	677,959	642,290	(35,669)
Total	\$1,697,459	\$1,450,615	(\$246,844)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,164,055	\$864,215	\$299,840
Special Revenue	679,697	596,817	82,880
Total	\$1,843,752	\$1,461,032	\$382,720

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Intergovernmental Funding

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

4. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

5. Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees. The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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.

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Risk Management (Continued)

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 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
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>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
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>

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. 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 \$11,320. 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.

<u>Contributions to PEP</u>	
2005	\$5,845
2006	\$5,882
2007	\$5,660

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



Mary Taylor, CPA

Auditor of State

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

Combined General Health District
Preble County
615 Hillcrest Drive
Eaton, Ohio 45320

To the Board of Health:

We have audited the financial statements of the Combined General Health District, Preble County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 21, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 21, 2008.

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 did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated May 21, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and District Board of Health. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 21, 2008

**COMBINED GENERAL HEALTH DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District lacks management oversight in accounting for payroll activity. This lack of oversight is illustrated by the following:

When processing payroll, the District initially runs all activity through the Health Fund (Fund 003). The Health Fund is subsequently reimbursed for payroll-related expenses from the District's other funds. This practice overstates Miscellaneous Reimbursement Receipts and Salaries Expenditures in the Health Fund. Therefore, an adjustment is necessary in the Health Fund to subtract the payroll-related reimbursements and expenditures pertaining to the District's other funds. For the year ending December 31, 2006, Miscellaneous Reimbursement Receipts and Salaries Expenditures in the Health Fund were each overstated by \$231,770. For the year ending December 31, 2007, Miscellaneous Reimbursement Receipts and Salaries Expenditures in the Health Fund were each overstated by \$265,116.

Failure to properly record payroll activity can result in misleading financial statements.

We recommend that the Fiscal Officer make adjustments to remove the payroll reimbursement activity in the Health Fund when preparing the annual financial report. Failure to properly adjust for this activity results in an overstatement of Miscellaneous Reimbursement Receipts and Salaries Expenditures in the Health Fund.

Officials' Response:

Effective with pay #13 or pay #15, Preble County Auditor will be deducting payroll, medicare, PERS, and insurance from funds other than the Health fund. This adjustment was necessary to accurately reflect activity in the Health fund and avoid overstating Misc. Reimbursement receipts and salary expenditures in the Health fund. The Health fund will no longer be reimbursed as in the past.



Mary Taylor, CPA
Auditor of State

**COMBINED GENERAL HEALTH DISTRICT
PREBLE 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 17, 2008**