



**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

Cuyahoga County District Board of Health  
Cuyahoga County  
5550 Venture Drive  
Parma, Ohio 44130

To the Board of Trustees:

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

April 21, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Cuyahoga County District Board of Health  
Cuyahoga County  
5550 Venture Drive  
Parma, Ohio 44130

To the Board of Trustees:

We have audited the accompanying financial statements of the Cuyahoga County District Board of Health, Cuyahoga County, Ohio (the District), as of and for the year ended December 31, 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 the District 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 year ended December 31, 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, 2006, or its changes in financial position for the year 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 Cuyahoga County District Board of Health, Cuyahoga County, Ohio, as of December 31, 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 April 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.

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



**Mary Taylor, CPA**  
Auditor of State

April 21, 2008



**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

	Governmental Fund Types		Memorandum Only
	General	Special Revenue	Totals
<b>Cash Receipts:</b>			
Cities, Villages, and Townships Revenue	\$2,778,906		\$2,778,906
Intergovernmental	718,542		718,542
Permits - Environmental Division	825,321		825,321
Fees - Environmental Division	960,381		960,381
Licenses - Environmental Division	1,903,534		1,903,534
Contractual services - Nursing Division	1,673,623		1,673,623
Grants - Federal and Private	296,749	\$9,202,957	9,499,706
Charges for Services	980,487		980,487
Reimbursements	7,367		7,367
Miscellaneous	605,456		605,456
<b>Total Cash Receipts</b>	<b>10,750,365</b>	<b>9,202,957</b>	<b>19,953,322</b>
<b>Cash Disbursements:</b>			
Salaries	5,964,547	2,956,989	8,921,536
Public Employee's Retirement and Other Benefits	879,532	446,961	1,326,493
Flex Benefits	853,929	423,279	1,277,208
Unemployment Compensation	60	0	60
Worker's Compensation	4,945	(534)	4,411
Supplies	374,387	96,404	470,791
Equipment	132,948	108,139	241,087
Contracts/Services	230,700	5,583,878	5,814,578
Travel and Expenses	183,505	73,701	257,206
Advertising and printing	64,089	241,397	305,487
Statutory Administrative Fees	573,087	0	573,087
Bond Repayment	2,590,775	6,085	2,596,859
Miscellaneous	212,089	97,860	309,949
<b>Total Disbursements</b>	<b>12,064,592</b>	<b>10,034,160</b>	<b>22,098,752</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(1,314,227)</b>	<b>(831,203)</b>	<b>(2,145,430)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	0	61,678	61,678
Transfers-Out	(61,678)	0	(61,678)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(61,678)</b>	<b>61,678</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(1,375,905)</b>	<b>(769,525)</b>	<b>(2,145,430)</b>
<b>Fund Cash Balances, January 1, 2006</b>	<b>3,559,681</b>	<b>157,901</b>	<b>3,717,582</b>
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$2,183,776</b>	<b>(\$611,624)</b>	<b>\$1,572,152</b>
<b>Reserves for Encumbrances, December 31, 2006</b>	<b>\$920</b>	<b>\$0</b>	<b>\$920</b>

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

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Agency Fund</b>
<b>Cash Receipts:</b>	
Reimbursements	\$138,888
Total Cash Receipts	138,888
<b>Cash Disbursements:</b>	
Health Insurance	134,896
Total Disbursements	134,896
Total Receipts Over/(Under) Disbursements	3,992
<b>Other Financing Receipts/(Disbursements):</b>	
Transfers-In	0
Transfers-Out	0
Total Other Financing Receipts/(Disbursements)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,992
Fund Cash Balances, January 1, 2006	14,989
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$18,981</b>

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

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Cuyahoga County District Board of Health, Cuyahoga County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District (general health) administers and enforces, within its jurisdiction, all public health and sanitation laws of the State of Ohio. The District provides public health services for the prevention or restriction of disease. In addition to the required programs, the District adopts regulations and provides programs to enable residents of the district to live in a healthy and environmentally safe community. The District is comprised of 35 cities, 19 villages and two townships within Cuyahoga County representing 829,000 residents. The five member Board of Trustees is appointed by the District Advisory Council which consists of the President of the Board of County Commissioners, the chief executive of each municipal corporation not constituting a city health district and the chairman of the board of township trustees of each township. The District appoints the Health Commissioner and can hire and fix compensation of employees. The District is dependent upon the County to provide legal counsel and act as custodian for its funds. The budget is approved by the District which is responsible for fiscal management through its authority to enter into contracts and prepare financial reports. The District is not part of the reporting entity of the County of Cuyahoga.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

resources except those restricted by law or contract or to be accounted for in another fund.

**2. Special Revenue Funds**

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

*Wellness Block Grant Fund* – This fund is used to account for reducing out of wedlock pregnancies within the target population of male and female youths between the ages of 14 to 21 in targeted areas within Cuyahoga County.

*Breast and Cervical Cancer Grant Fund* – This fund is used to account for federal grants for the prevention of breast and cervical cancer.

*Preventative Health Grant Fund* – This fund is used to account for federal grants used to provide education and awareness related to cardiovascular health disease to African American and Hispanic males ages 18 to 54 in targeted areas within Cuyahoga County.

*Lead Based Paint Hazard Control in Housing Fund* – This fund is used to account for the encouragement of effective action to prevent childhood lead poisoning by establishing a workable framework for lead-based paint hazard identification and control.

*Immunization Action Plan Fund* – This fund is used to account for the reduction and ultimate elimination of vaccine preventable diseases.

*Public Health Infrastructure Grant Fund* - This fund is used to increase public health response and capacity regarding infectious disease, acts of bio-terrorism and other major public health events.

*Tobacco Reduction Initiative Grant Fund* - These funds are used for the prevention and reduction of tobacco use.

*Healthy Homes Demonstration Grant Fund* – This fund is used to implement programming for education, outreach, and home remediation to reduce incidence of respiratory disease in children.

*Greater Cleveland Lead Reduction Grant Fund* – This fund is used to account for encouragement of effective action to prevent childhood lead poisoning by establishing a workable framework for lead-based paint hazard identification and control.

*Child Family Health Services (CFHS) Grant Fund* – This fund is used to eliminate health disparities, improve birth outcomes, and improve the health addressed problems.

*Nonpoint Source Implementation Grant Fund* – This fund is used to implement and utilize best management practice in educational outreach and water quality monitoring in the Rocky River Watershed.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Agency Fund**

The fund for which the District is acting in an agency capacity is classified as an Agency Fund. The District has the following significant Agency Fund:

*Trust and Agency Fund* – This fund is used to account for payroll deductions from employees for their health insurance co-payments that are then paid to the health insurance carrier.

**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. Special Revenue Funds are appropriated one time and the appropriations carryover from year to year in the District's accounting system, until the grant is closed. For the General Fund, 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 also approves estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2006 budgetary activity appears in Note 3.

**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.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**2. EQUITY IN POOLED CASH**

As required by Ohio Revised Code, the Cuyahoga County Auditor is the fiscal agent of the District. The District's cash pool, used by all funds, is deposited with the Cuyahoga County Treasurer. The cash pool is commingled with Cuyahoga County's cash and investment pool and is not identifiable as to demand deposits or investments. All collections are remitted to the Cuyahoga County Treasurer for deposit and all disbursements are made by warrants prepared by the Cuyahoga County Auditor drawn on deposits held in the name of Cuyahoga County. GASB 3 requirements for the County of Cuyahoga are presented in the December 31, 2006 Comprehensive Annual Financial Report. The fund balances are expressed in cash equivalents. Cash equivalents are available for immediate expenditure or liquid investments which are immediately marketable, have negligible credit risk, and mature within three months. The carrying amount of cash on deposit with the Cuyahoga County Treasurer at December 31, 2006 was \$1,588,304. The District also had fully collateralized immunization checking account with a year-end balance of \$2,079 and petty cash amounting of \$750.

**3. BUDGETARY ACTIVITY**

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,781,153	\$10,750,365	(\$30,788)
Special Revenue	10,713,192	9,264,635	(1,448,557)
Total	\$21,494,345	\$20,015,000	(\$1,479,345)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,306,527	\$12,127,190	\$2,179,337
Special Revenue	9,571,663	10,034,160	(462,497)
Total	\$23,878,190	\$22,161,350	\$1,716,840

The appropriation authority presented above for the Special Revenue Funds represents only current year appropriations. However, a portion of the budgetary expenditures presented above are on appropriations made in prior years. Therefore, a citation for Ohio Revised Code Section 5705.41(B) regarding total expenditures and contract commitments (including outstanding encumbrances) exceeding appropriations is not applicable.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Revised Code 5705.41 (D)(1) 63% of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the District followed the exceptions. The District acknowledges the finding and recommendation from the Auditor of State's Office. The District's current purchase order policy includes expenditures greater than or equal to \$300. The District will revise the purchase order policies, procedures and practices to satisfy all the requirements of 5705.41 (D).

Contrary to Ohio Rev. Code Section 3709.28 the District did not submit to the County Budget Commission its itemized appropriation measure or an itemized estimate of revenues. The District acknowledges the finding and recommendation from the Auditor of State's Office and will submit the proper documents to satisfy all the requirements of Ohio Revised Code Section 3709.28.

**4. SUBDIVISION REVENUE**

The cities, villages and townships that receive services from the District, contribute to the operations of the District. The County Auditor assesses each subdivision their share of the operating cost, which is calculated by the District, through property tax collections. When the County Auditor disburses property tax to the subdivision, the appropriate deduction is made on the subdivision settlement and transmitted to the District.

**5. DEBT**

In 2003, the Board of Trustees submitted to the City of Parma a bond issue to be used for the purchase of land and construction of a new facility. The bonds were sold and the proceeds of \$2,700,000 were transferred to U.S. Title Agency, Inc., as part of the escrow for the project, in addition to the \$5,300,000 that the District had previously transferred to U.S. Title Agency, Inc. Construction began in July 2003 and was concluded on or about December 1, 2003.

The cost of the project was \$5,715,385. The purpose of the \$5,300,000 transferred to escrow, at the start of the project, was to satisfy the requirement of Geis Construction, Inc., that sufficient funds were on deposit, in escrow for the project. This was a turn key project. In other words, no funds were to transfer to Geis Construction, Inc., until after final completion and occupancy of the premises by the District. The Board assumed occupancy on December 5, 2003. All funds were transferred on December 31, 2003.

The Board made a determination early in the process that it would expend approximately \$3,000,000 of its own funds for the project and obtain additional funding for completion. Hence, at the conclusion of the project and the final payout to Geis Construction, Inc., approximately \$2,300,000 was returned to the Board and deposited in the General Fund.

The bonds are general obligations of the City of Parma.

In 2006, the District made principal and interest payments of \$200,278 to the City of Parma. \$196,717 was paid from the General Fund and \$3,560 was paid from special revenue funds.

On December 6, 2006, the District paid \$2,394,057 to the Bank of New York (escrow deposit trustee) for the defeasance of the General Obligation Debt, Series 2003 Bonds.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**6. RETIREMENT SYSTEMS**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9.0% of their gross salaries. The District contributed an amount equal to 13.70% of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

The Health District is exposed to various risks of property and casualty losses, and injuries to employees.

The Health District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Health 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 prior 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 additional coverage, up to \$10,000,000 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,901,127.



**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

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.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Net assets – unrestricted	<u>\$15,122,127</u>	<u>\$13,725,507</u>

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$86,208. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

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

<u><b>Contributions to PEP</b></u>	
2004	\$ 40,908
2005	\$ 45,184
2006	\$ 43,104

CUYAHOGA COUNTY BOARD OF HEALTH  
 CUYAHOGA COUNTY  
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2006

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed Through the State Department of Health:</i>			
05/06 Breast & Cervical Cancer Project	93.919	18-1-01-2-AE-06	\$147,304
06/07 Breast & Cervical Cancer Project	93.919	18-1-01-2-AE-07	132,990
			<u>280,294</u>
05/06 Public Health Infrastructure	93.283	18-1-001-2-BI-06	1,254,033
06/07 Public Health Infrastructure	93.283	18-1-001-2-BI-07	225,860
			<u>1,479,893</u>
2005 STD Control Program	93.977	18-1-001-2-BX-06	8,568
2006 STD Control Program	93.977	18-1-001-2-BX-07	95,700
			<u>104,268</u>
2005 Immunization Action Plan	93.268	18-1-001-2-AZ-05	83,656
2006 Immunization Action Plan	93.268	18-1-001-2-AZ-06	284,122
			<u>367,778</u>
05/06 OPTIONS Regional Referral	93.994	18-1-001-2-BL-06	15,296
06/07 OPTIONS Regional Referral	93.994	18-1-001-2-BL-07	8,717
05/06 CFHSP	93.994	18-1-001-1-MC-06	537,712
06/07 CFHSP	93.994	18-1-001-1-MC-07	304,221
			<u>865,946</u>
2005 Cardiovascular Health	93.991	18-1-001-2-ED-05	29,730
2006 Cardiovascular Health	93.991	18-1-001-2-ED-06	145,936
2005 Injury Prevention	93.991	18-1-001-2-EE-05	6,222
2006 Injury Prevention	93.991	18-1-001-2-EE-06	33,345
			<u>215,233</u>
05/06 CDC Lead Program	93.197	18-1-001-2-BD-06	43,273
06/07 CDC Lead Program	93.197	18-1-001-2-BD-07	31,131
			<u>74,404</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>3,387,816</b>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Direct</i>			
04/07 Lead-Based Paint Hazard In Housing	14.900	N/A	1,111,885
			<u>1,111,885</u>
Healthy Homes Demonstration	14.901	N/A	563,767
			<u>563,767</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,675,652</b>

CUYAHOGA COUNTY BOARD OF HEALTH  
 CUYAHOGA COUNTY  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES CONT'D.**  
 FOR THE YEAR ENDED DECEMBER 31, 2006

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. Environmental Protection Agency</b>			
<i>Passed Through the State Environmental Protection Agency</i>			
04/06 Nonpoint Source Implementation	66.460	C997550003	285,484
06/09 Nonpoint Source Implementation	66.460	C9975500006	<u>5,222</u>
<b>Total U.S. Environmental Protection Agency</b>			<b>290,706</b>
<b>National Oceanic and Atmospheric Administration</b>			
<i>Passed Through the State Department of Natural Resources</i>			
05/06 Mill Creek Watershed Action Plan	11.419	M363306-8	63,455
06/07 Mill Creek Watershed Action Plan	11.419	M363306-8	<u>6,759</u>
<b>Total National Oceanic and Atmospheric Administration</b>			<b>70,214</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u><u>\$5,424,388</u></u></b>

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
DECEMBER 31, 2006**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*.

**NOTE B -- SUBRECIPIENTS**

The District passes-through certain Federal assistance received from the Ohio Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C -- MATCHING REQUIREMENTS**

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

N/A – not applicable.

CFDA – Catalog of Federal domestic Assistance.

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# 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*

Cuyahoga County District Board of Health  
Cuyahoga County  
5550 Venture Drive  
Parma, Ohio 44130

To the Board of Trustees:

We have audited the financial statements of the Cuyahoga County District Board of Health, Cuyahoga County, Ohio (the District), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 21, 2008, wherein we noted the District prepared its financial statements using 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.

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 a certain matter that we reported to the District's management in a separate letter dated April 21, 2008.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 21, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

April 21, 2008





# Mary Taylor, CPA

## Auditor of State

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

Cuyahoga County District Board of Health  
Cuyahoga County  
5550 Venture Drive  
Parma, Ohio 44130

To the Board of Trustees:

#### Compliance

We have audited the compliance of the Cuyahoga County District Board of Health, Cuyahoga County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs 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 programs. 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 that 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 Cuyahoga County District Board of Health, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006.

#### 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
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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 District's ability to administer a federal program such that there is more than a remote likelihood that the District'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 the 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.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 21, 2008

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse: GAAP basis Unqualified: regulatory basis
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Public Health Infrastructure, CFDA 93.283 Maternal and Child Health Services Block Grant, CFDA 93.994 Healthy Homes Demonstration, CFDA 14.901
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001 – NONCOMPLIANCE FINDING**

**Certification of Availability of Funds**

**Ohio Rev. Code Section 5705.41 (D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001 – NONCOMPLIANCE FINDING (Continued)**

**Certification of Availability of Funds (Continued)**

Thirty-eight of sixty transactions tested (63%) were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**Official's Response:** The District acknowledges the finding and recommendation from the Auditor of State's Office. The District's current purchase order policy includes expenditures greater than or equal to \$300. The District will revise the purchase order policies, procedures and practices to satisfy all the requirements of 5705.41 (D).

**FINDING NUMBER 2006-002 – NONCOMPLIANCE FINDING**

**Appropriations, Estimated Resources to the County Budget Commission**

**Ohio Rev. Code Section 3709.28** establishes budgetary requirements for General Health Districts, which are similar to certain Ohio Revised Code Chapter 5705 budgetary requirements. On or about the first Monday of April the District must adopt an itemized appropriation measure. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the County Budget Commission. Subject to estimated resources, the Board of Health may, by resolution, transfer funds from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the County Budget Commission for approval. The District did not submit to the County Budget Commission its itemized appropriation measure or an itemized estimate of revenues.

We recommend the District submit to the County Budget Commission adopted itemized appropriations and an itemized estimate of revenues.

CUYAHOGA COUNTY DISTRICT BOARD OF HEALTH  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)

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

**FINDING NUMBER 2006-002 – NONCOMPLIANCE FINDING (Continued)**

**Appropriations, Estimated Resources to the County Budget Commission (Continued)**

**Official's Response:** The District did prepare an itemized estimate of revenues and appropriations and submitted the documents to the County Auditor. In accordance with Ohio Revised Code Section 3709.28, the County Auditor shall submit the certified documents to the Budget Commission. In December 2005, the District was advised by the County Budget Commission that they will no longer furnish the District with a Certificate of Estimated Resources under the premise that the District is not part of any property tax collections and therefore this process is not applicable to the District. Upon consultation with the County Prosecutor's Office and the County Budget Commission, the District acknowledges the finding and recommendation from the Auditor of State's Office and will submit the proper documents to satisfy all the requirements of Ohio Revised Code Section 3709.28.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**Mary Taylor, CPA**  
Auditor of State

**DISTRICT BOARD OF HEALTH**

**CUYAHOGA 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 5, 2008**