



**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA
Auditor of State

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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Mary Taylor, CPA
Auditor of State

General Health District
Pickaway County
465 E. Ohio Street, P.O. Box 613
Circleville, Ohio 43113

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 District 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Pickaway County
465 E. Ohio Street, P.O. Box 613
Circleville, Ohio 43113

To the Board of Health:

We have audited the accompanying financial statements of the General Health District, Pickaway 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.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the General Health District, Pickaway 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 October 28, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 28, 2008

**GENERAL HEALTH DISTRICT
PICKAWAY 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**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$ 413,721	\$ 262,979	\$ 676,700
Charges for Services	156,180	-	156,180
Fees, Licenses, Permits	83,030	168,091	251,121
Other Receipts	17,128	3,151	20,279
	<u>670,059</u>	<u>434,221</u>	<u>1,104,280</u>
Total Cash Receipts			
	<u>670,059</u>	<u>434,221</u>	<u>1,104,280</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	295,815	260,276	556,091
Fringe Benefits	155,774	49,088	204,862
Supplies	43,671	98,683	142,354
Remittances to State	29,304	10,664	39,968
Equipment Leases	25,650	-	25,650
Contracts - Services	24,103	500	24,603
Travel	20,802	2,489	23,291
Other	16,730	4,516	21,246
Debt Service	27,500	-	27,500
	<u>639,349</u>	<u>426,216</u>	<u>1,065,565</u>
Total Disbursements			
	<u>639,349</u>	<u>426,216</u>	<u>1,065,565</u>
Total Receipts Over Disbursements			
	<u>30,710</u>	<u>8,005</u>	<u>38,715</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	26,760	3,707	30,467
Advances-In	37,268	43,295	80,563
Transfers-Out	(30,467)	-	(30,467)
Advances-Out	(61,563)	(19,000)	(80,563)
	<u>(28,002)</u>	<u>28,002</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(28,002)</u>	<u>28,002</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,708	36,007	38,715
Fund Cash Balances, January 1	21,688	132,749	154,437
	<u>21,688</u>	<u>132,749</u>	<u>154,437</u>
Fund Cash Balances, December 31	<u>\$ 24,396</u>	<u>\$ 168,756</u>	<u>\$ 193,152</u>

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

**GENERAL HEALTH DISTRICT
PICKAWAY 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**

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$ 325,875	\$ 317,970	\$ 643,845
Charges for Services	204,072	-	204,072
Fees, Licenses, Permits	63,181	163,705	226,886
Other Receipts	19,927	1,501	21,428
	<u>613,055</u>	<u>483,176</u>	<u>1,096,231</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	319,794	289,360	609,154
Fringe Benefits	158,253	59,766	218,019
Supplies	29,522	83,156	112,678
Remittances to State	-	7,238	7,238
Equipment	-	4,583	4,583
Equipment Leases	25,863	-	25,863
Contracts - Services	10,680	19,738	30,418
Travel	26,974	-	26,974
Other	71,770	4,372	76,142
	<u>642,856</u>	<u>468,213</u>	<u>1,111,069</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(29,801)</u>	<u>14,963</u>	<u>(14,838)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	300	300
Advances-In	34,711	17,261	51,972
Transfers-Out	(300)	-	(300)
Advances-Out	(2,312)	(49,660)	(51,972)
Note Proceeds	72,700	10,000	82,700
	<u>104,799</u>	<u>(22,099)</u>	<u>82,700</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	74,998	(7,136)	67,862
Fund Cash Balances, January 1	<u>(53,310)</u>	<u>139,885</u>	<u>86,575</u>
Fund Cash Balances, December 31	<u><u>\$ 21,688</u></u>	<u><u>\$ 132,749</u></u>	<u><u>\$ 154,437</u></u>

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

**GENERAL HEALTH DISTRICT
PICKAWAY 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 General Health District, Pickaway County, (the District) as a body corporate and politic. A seven-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 health-related licenses and permits.

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 and Investments

As required by the Ohio Revised Code, the Pickaway 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:

Public Health Infrastructure Grant Fund – This fund received grant monies from the Ohio Department of Health for improvements to communication infrastructure and response resources.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (continued)

Tobacco Prevention Grant Fund - This fund received grant monies from the Ohio Tobacco Use Prevention and Control Foundation for tobacco prevention education.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

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

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.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

2. Budgetary Activity

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

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$793,400	\$696,819	(\$96,581)
Special Revenue	469,573	437,928	(31,645)
Total	<u>\$1,262,973</u>	<u>\$1,134,747</u>	<u>(\$128,226)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$835,686	\$669,816	\$165,870
Special Revenue	516,389	426,216	90,173
Total	<u>\$1,352,075</u>	<u>\$1,096,032</u>	<u>\$256,043</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$710,900	\$685,755	(\$25,145)
Special Revenue	603,077	493,476	(109,601)
Total	<u>\$1,313,977</u>	<u>\$1,179,231</u>	<u>(\$134,746)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$710,909	\$643,156	\$67,753
Special Revenue	607,462	468,213	139,249
Total	<u>\$1,318,371</u>	<u>\$1,111,369</u>	<u>\$207,002</u>

**GENERAL HEALTH DISTRICT
PICKAWAY 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. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
County Note Payable	55,200	0%
Total	\$55,200	

The County Note was issued to repay monies to grant funds and for the general operation of the District.

Amortization of the above debt is scheduled as follows:

	General Obligation Note
Year ending December 31:	
2008	35,000
2009	20,200
Total	\$55,200

5. Operating Leases

The District entered into lease agreements with Harden Chevrolet Company and Don Thompson Lincoln-Mercury Company for the lease of vehicles used for District business. The term of the Don Thompson leases commenced April 29, 2006 and will mature March 29, 2009. The term of the Harden Chevrolet leases commenced May 18, 2006 and will mature April 18, 2009. For fiscal year 2007 and 2006 the District paid \$14,339 and \$10,184, respectively for vehicle operating leases.

The following minimum lease payments will be made for fiscal year ending:

Fiscal Year Ending December 31	
2008	\$ 14,339
2009	3,585
Total Minimum Lease Payments	\$ 17,924

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

6. 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.

7. 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. 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

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.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,265. 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	\$3,149
2006	\$4,870
2007	\$5,448

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

7. Risk Management (Continued)

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

8. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by grantors, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Related Party Transactions

In June 2006, the District entered into a Loan agreement with the Pickaway County Commissioners, the District's fiscal agent in the amount of \$82,700. This loan was used to repay advances to grant funds and to pay for general operating expenses.

10. Accountability

Contrary to the Code of Federal Regulations, in January 2006 the District made an unallowable advance from the Children and Family Health Fund to the General Fund of \$30,000; in April 2006, \$10,000 of this advance was repaid. The 2006 financial statements have been adjusted to correctly reflect the unallowable advance.

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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*

General Health District
Pickaway County
465 E. Ohio Street, P.O. Box 613
Circleville, Ohio 43113

To the Board of Health:

We have audited the financial statements of General Health District, Pickaway County, Ohio (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 28, 2008, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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. However, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated October 28, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted a certain noncompliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 28, 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 finance committee, management, and the Board of Health. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 28, 2008

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-001
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Allowability of Grant Advance – Material Noncompliance/ Significant Deficiency/Material Weakness

2 CFR Part 225 Appendix A, Section C.1.j. (formerly known as Office of Management and Budget (OMB) Circular 87 Attachment A subsection C.1.j) states that under the Basic Guidelines for costs to be allowable they must be adequately documented. Additionally, 2 C.F.R. Part 225 Appendix A, Section E.2.a. (formerly known as OBM Circular A-87 Attachment A subsection E.2.a) states that under Direct Cost Guidelines for costs to be chargeable to federal awards, such as payroll related expenditures, these must be for compensation of employees who devoted time and are specifically identifiable to the performance of the award.

The District made the following interfund advance during 2006:

Advance

Date	Advance Out	Advance In	Amount
01/09/06	Children and Family Health	General	\$ 30,000

The District's General fund repaid \$10,000 in April 2006 to the Children and Family Health Fund.

The District's monitoring controls did not prevent the unallowable transfer described above.

We recommend that the District maintain supporting documentation for all advances made. We also recommend that all salary and wages charged directly to the grant be supported by documentation that employees who charge to the federal awards devote time specifically to the performance of those awards. In addition, the Board should approve all inter-fund advances, and monitor financial activity to ensure unallowable interfund advances are not made. The 2006 financial statements have been adjusted to correctly reflect the unallowable advance made to the General Fund from the Children and Family Health Fund (\$30,000) and the subsequent return of \$10,000.

Officials' Response:

The above transaction was posted by the previous fiscal officer. The District will implement procedures requiring the Board of Health to approve all advances and transfers. The Board of Health also receives monthly financial packets outlining all of the District's activities, including advances and transfers. Furthermore, the District has formed a financial committee consisting of three Board Members, Health Commissioner and Director of Administration, which meet every other month to review additional financial information and to address any audit concerns.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-002
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Financial Statement Adjustments – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Administrator and the Board of Health and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were posted to the December 31, 2007 financial statements:

1. Reclassifications were posted to the General Fund to decrease Taxes by \$106,929; decrease Other Revenue by \$23,358; increase Charges for Services by \$72,660; decrease Fees, License and Permits by \$287,660; and increase Intergovernmental Revenue by \$345,287; these reclassifications were related to proper presentation of intergovernmental receipts and the consistency of other revenue presentation.
2. Entries were posted to increase Intergovernmental Revenue and Debt Service Expenditures in the General Fund by \$27,500; the financial statements did not include receipts and expenditures related to loan repayments which were withheld from the District's Pickaway County property tax settlements.
3. Reclassifications were posted to the General Fund to increase Remittance to State Expenditures and decrease Other Expenditures by \$29,304, and to increase Equipment Expenditures and decrease Capital Outlay by \$25,650; these reclassifications were related to matching the expenditure description with its actual purpose.
4. Reclassifications were posted to Special Revenue Funds to decrease Intergovernmental Receipts by \$882; decrease Charges for Services by \$17,764; increase Fees, Licenses and Permits by \$16,915, increase Other Receipts by \$2,232; and decrease Fines by \$500; these reclassifications were related to the consistency of revenue presentation.
5. Reclassifications were posted to Special Revenue Funds to increase Remittance to State Expenditures by \$5,739, decrease Fringe Benefit Expenditures by \$4,526 and to decrease Other Expenditures by \$1,213; these reclassifications were related to matching the expenditures with their actual purposes.

The following audit adjustments and reclassifications were posted to the December 31, 2006 financial statements:

1. Reclassifications were posted to the General Fund to decrease Taxes \$215,000, decrease Other Revenue \$9,581, decrease Charges for Services \$66,986, and increase Intergovernmental Revenue by \$291,567; these reclassifications were related to proper presentation of intergovernmental receipts and the consistency of other revenue presentation.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2007-002 (Continued)
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Financial Statement Adjustments – Significant Deficiency/Material Weakness (Continued)

2. Audit adjustments were posted to the General Fund to properly present expenditures, debt proceeds, and interfund transfers; the net effect of these entries was to increase Advances In by \$12,700, decrease Advances Out by \$15,000, and decrease Debt Proceeds by \$10,000; entries were also posted to increase Equipment expenditures by \$25,863, increase Contracts – Services expenditures by \$7,680, and decrease Other Expenditures by \$33,543.
3. Reclassifications were posted for the Special Revenue Funds to increase Intergovernmental Receipts by \$1,864, increase Fees, Licenses and Permits by \$53,369, increase Other Receipts by \$776, and decrease Charges for Services by \$56,009; these reclassifications were related to proper presentation of intergovernmental receipts and the consistency of other revenue presentation.
4. Reclassifications were posted to the Special Revenue Funds to decrease Supplies expenditures by \$720, decrease Remittances to State expenditures by \$1,360, decrease Equipment Leases expenditures by \$3,223, increase Other Expenditures by \$711, and increase Equipment expenditures by \$4,583; these reclassifications were related to matching the expenditures with their actual purposes.
5. Audit adjustments were posted to the Special Revenue Funds to properly present debt proceeds and interfund advances; the net effect of these reclassifications was a decrease to Advances In of \$97,700, a decrease to Advances Out of \$70,000, and an increase in Debt Proceeds of \$10,000.

While the County Treasurer is the District's statutory fiscal agent, the District maintains a separate bank account in which receipts are safeguarded until paid into the county treasury. Although pay-ins are completed timely, the end of year activity creates a difference in receipt activity between the bank account and the County's ledgers.

Therefore, in addition to the audit adjustments noted above, the following misstatements were attributable to the timing difference explained above and were inconsequential to the overall financial statements of the District. These were not posted to the December 31, 2007 and 2006 Special Revenue Fund financial statements:

1. At December 31, 2007, a net decrease to Cash and Charges for Services for \$3,845.
2. At December 31, 2006, a net increase to Cash and Charges for Services of \$1,727.

The adjustments and reclassifications identified above should be reviewed by the Health Commissioner and Director of Operations to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the District adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

Officials' Response: We will work with Pickaway County Officials to ensure that cash receipts and expenditures are properly coded and reported.

**GENERAL HEALTH DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Revised Code 5705.41(B) – budgetary expenditures exceeding appropriations by the legal level of control.	Yes	
2005-002	2 CFR Part 225 - Allowable Cost/Cost Principals/Noncompliance/Questioned Cost/Reportable Condition. This finding relates to unsupported payroll costs.	Yes	
2005-003	District Administrator Payroll/Reportable Condition – recommendation that Health Commissioner review payroll records and for all employees to use time clock.	Yes	
2005-004	Revised Code 117.28 – public monies illegally expended for Gas Charges by former District Administrator Marilyn Jeffers.	Yes	
2005-005	Revised Code 117.28 – public monies illegally expended for un-allowed flex time by former District Administrator Marilyn Jeffers.	No	Partially correct, reissued in management letter.
2005-006	Revised Code 117.28 – public monies illegally expended for un-allowed related party expenditure by former District Administrator Marilyn Jeffers.	Yes	
2005-007	Revised Code 117.28 – public monies illegally expended for un-allowed extra compensation by former District Administrator Marilyn Jeffers.	Yes	
2005-008	Revised Code 117.28 – public monies illegally expended for un-allowed severance pay by former District Administrator Marilyn Jeffers.	Yes	
2005-009	2 CFR Part 225 - Allowable Cost/Cost Principals/Noncompliance/Questioned Cost/Reportable Condition. This finding relates to un-allowed transfers and advances in fiscal year 2004 and 2005.	No	Re-issued as Finding 2007-001



Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

PICKAWAY 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
DECEMBER 11, 2008**