



Mary Taylor, CPA
Auditor of State

HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY

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Mary Taylor, CPA
Auditor of State

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, OH 45219

To the Members of the Board:

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, Ohio 45219

To the Members of the Board:

We have audited the accompanying financial statements of Hamilton County General Health District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2007. 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.

Except as described in paragraph three, 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.

We were unable to obtain audited financial statements or other sufficient evidence to support the January 1, 2007 balances for the general and special revenue funds.

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 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, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence to support the January 1, 2007 balances for the general and special revenue funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Hamilton County General Health District, Hamilton County, as of December 31, 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The audit reports of the District's financial statements for the years ended December 31, 2006 and 2005 have not been issued by the independent professional accountant contracted to complete those audits; therefore any issues affecting the January 1, 2006 balances that may have been identified by the firm in those audits have not been reported in the financial statements for the years ended December 31, 2007.

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 December 22, 2009, 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 basic 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 22, 2009

HAMILTON COUNTY GENERAL HEALTH DISTRICT

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All
Governmental Fund Types
For the Year Ended December 31, 2007

	General	Special Revenue	Total (Memorandum Only)
CASH RECEIPTS			
Intergovernmental	\$ 2,972,013	\$ -	\$ 2,972,013
Charges for services	717,492	132,160	849,652
Fines, licenses and permits	2,321,861	2,237,147	4,559,008
Miscellaneous	17,744	-	17,744
	<hr/>		
Total cash receipts	6,029,110	2,369,307	8,398,417
CASH DISBURSEMENTS			
Health			
Salaries	2,737,774	821,050	3,558,824
Benefits	786,512	253,421	1,039,933
Travel and mileage	151,574	34,953	186,527
Office supplies	209,068	8,055	217,123
Furniture and equipment	183,882	11,495	195,377
Repair and maintenance	20,536	2,963	23,499
Contract services	1,225,955	42,574	1,268,529
State and other agency fees	406,615	894,323	1,300,938
Other expenditures	240,003	13,571	253,574
	<hr/>		
Total cash disbursements	5,961,919	2,082,405	8,044,324
EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS	67,191	286,902	354,093
FUND CASH BALANCE January 1, 2007	\$ 1,925,944	\$ 819,557	\$ 2,745,501
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FUND CASH BALANCE December 31, 2007	\$ 1,993,135	\$ 1,106,459	\$ 3,099,594
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See notes to combined financial statement.

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**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity—The Hamilton County General Health District (the “District”) is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under the discretion of a five-member Board of Health (the “Board”). Members of the Board are appointed to serve five-year terms by the District Advisory Council. Members of this Council include 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 in the District or their alternates selected by their respective governing bodies. The Hamilton County Auditor is responsible for fiscal control of the resources of the District. The Hamilton County Treasurer is the custodian of these funds. Services provided by the District include public health care and the prevention or restriction of diseases.

Management believes the financial statements included in this report represent all of the General and Special Revenue funds of the District for which they have financial accountability.

Basis of Accounting—These financial statements were prepared on the cash 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. Acquisitions of property and equipment are therefore recorded as disbursements when paid and not reflected as net assets on the accompanying financial statements. 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.

Unpaid Vacation and Sick Leave—Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

Fund Accounting—The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

- a. *General Fund*—The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.
- b. *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:

F.S.O. & Vending Fund—Accounts for the receipts and disbursements activity relating to the issuance of food service licenses throughout the County of Hamilton (the “County”).

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Solid Waste Fund—Accounts for the receipts and disbursements activity relating to issuance of landfill licenses throughout the County.

Construction & Demolition Debris Fund—Accounts for the receipts and disbursements activity relating to inspection fees and the issuance of construction licenses and permits throughout the County.

Crippled Children Fund—Accounts for the receipts and disbursements activity relating to the services provided on behalf of the Bureau of Children with Medical Handicaps.

Swimming Pool Fund—Accounts for the receipts and disbursements activity relating to the issuance of swimming pool licenses throughout the County.

Budgetary Process—The Ohio Revised Code requires that each fund be budgeted annually.

- a. *Appropriations*—Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.
- b. *Estimated Resources*—Estimated Resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- c. *Encumbrances*—The Ohio Revised Code requires the District to reserve (encumber) appropriations when 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.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Hamilton County Treasurer maintains a cash and investment pool of County funds, including those of the District. The Ohio Revised Code prescribes allowable deposits and investments. The District's carrying amounts of cash on deposit with the Hamilton County Treasurer was \$3,099,594 at December 31, 2007. The Hamilton County Treasurer, as the ultimate fiscal agent for the District, is responsible for maintaining adequate depository collateral for all funds in the County's pooled and deposit accounts.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Budgetary activity for the year ended December 31, 2007 is as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 6,551,471	\$ 6,029,110	\$ (522,361)
Special Revenue	<u>2,561,347</u>	<u>2,369,307</u>	<u>(192,040)</u>
Total	<u>\$ 9,112,818</u>	<u>\$ 8,398,417</u>	<u>\$ (714,401)</u>
Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 7,212,340	\$ 5,961,919	\$ 1,250,421
Special Revenue	<u>2,381,218</u>	<u>2,082,405</u>	<u>298,813</u>
Total	<u>\$ 9,593,558</u>	<u>\$ 8,044,324</u>	<u>\$ 1,549,234</u>

4. 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.

5. BENEFIT PLANS

District employees are employees of the County and, therefore, are covered by the following benefit plans:

A. Deferred Compensation Plan

Employees of the County may elect to participate in a deferred compensation plan administered by one of the following: (1) The Ohio Public Employees Deferred Compensation Plan; (2) ING Financial Services.; or (3) The County Commissioners Association of Ohio. Under these plans, employees can defer up to 25% of their annual salary, not to exceed \$15,000 per year, until a future time, usually after retirement. The deferred amounts, as well as any income related to the deferral, are not subject to federal or state income tax until actually received by the employee.

B. Employee Retirement Systems and Plans

County employees are covered by the Ohio Public Employees Retirement System (OPERS). County employees hired after April 1, 1986, are also covered under the Federal Social Security Act for the Medicare portion only.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. BENEFIT PLANS (CONTINUED)

OPERS administers three separate pension plans: (1) The Traditional Pension Plan is a cost-sharing, multiple-employer, defined-benefit pension plan. (2) The Member-Directed Plan is a defined-contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings thereon. (3) The Combined Plan is a cost-sharing, multiple-employer, defined-benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Benefits provided under the OPERS plans are established by the Ohio Revised Code.

OPERS issues separate financial reports to the public that include financial statements and required supplemental information. These reports may be obtained by contacting the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, telephone (800) 222-7377.

The Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. The required, actuarially determined contribution rates for 2007 for County employees are as follows:

	Retirement System	County Share	Employee Share
Employees of the County	OPERS	13.85 %	9.50 %

The County's contributions, representing 100% of employer contributions, for the year ended December 31, 2007, and for each of the two preceding years, are as follows:

2007	\$484,423
2006	\$454,034
2005	\$438,624

C. Other Post-Employment Benefits (OPEB)

In addition to the pension benefits described above, OPERS provides post-retirement health-care coverage, commonly referred to as OPEB (other post-employment benefits), to qualifying members of both the Traditional Pension and the Combined Plans. The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health-care coverage.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. BENEFIT PLANS (CONTINUED)

OPERS provides post-retirement health-care coverage to age and service retirees with 10 or more years of qualifying State service credit and to primary survivor recipients of such retirees. Health-care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

6. RISK POOL MEMBERSHIP

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.

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. RISK POOL MEMBERSHIP (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 \$27,000. 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	\$18,857
2006	20,525
2007	23,391

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. RISK POOL MEMBERSHIP (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.

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**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Health and Human Services			
<i>Pass-Through Ohio Department of Health</i>			
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	31-1-001-2-BI-07	93.283	\$ 1,332,490
Public Health Emergency Preparedness	31-1-001-2-PI-0108	93.069	132,940
Preventive Health and Health Services Block Grant	31-1-001-2-EE-07	93.991	<u>35,000</u>
<i>Total Pass-Through Ohio Department of Health</i>			<u>1,500,430</u>
<i>Pass-Through Southwest Ohio Council on Aging</i>			
Special Programs for the Aging_ Title IV_ and Title II_ Discretionary Projects		93.048	<u>48,124</u>
<i>Total Pass-Through Southwest Ohio Council on Aging</i>			<u>48,124</u>
Total U.S. Department of Health and Human Services			<u>1,548,554</u>
Department of Transportation National Highway Traffic Safety Administration (NHTSA)			
<i>Pass-Through Ohio Department of Public Safety</i>			
State and Community Highway Safety	SC-2007-31-00-00-00644-00	20.600	<u>107,615</u>
Total NHTSA			<u>107,615</u>
Total Federal Awards Expenditures			<u>1,656,169</u>

HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hamilton County General Health District (the “District”) recorded on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, hence some amounts may differ from amounts used in the preparation of the basic financial statements.

MATCHING REQUIREMENTS-Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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*

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, Ohio 45219

To the Members of the Board:

We have audited the financial statements of the Hamilton County General Health District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2007, and have issued our report thereon dated December 22, 2009, 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; and that we were unable to obtain audited financial statements or other sufficient evidence to support the January 1, 2007 balances for the general and special revenue funds. 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 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 findings 2007-002 and 2007-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 believe none of the significant deficiencies described above are material weaknesses.

We noted a certain matter that we reported to the District's management in a separate letter dated December 22, 2009.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 22, 2009.

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 management, the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 22, 2009



Mary Taylor, CPA

Auditor of State

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

Hamilton County General Health District
Hamilton County
250 William Howard Taft Road
Cincinnati, Ohio 45219

To the Members of the Board:

Compliance

We have audited the compliance of the Hamilton County General Health District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Hamilton County General Health District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2007-004.

In a separate letter to the District's management dated December 22, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with 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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2007-004 to be a significant deficiency.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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



Mary Taylor, CPA
Auditor of State

December 22, 2009

**HAMILTON COUNTY GENERAL HEALTH DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2007-001

Noncompliance

Ohio Revised Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. 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 that 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 thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of 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.

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.

2. 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 to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2007-001
(Continued)**

The availability of funds was not certified prior to the time of commitment, nor did the District use the aforementioned exceptions for the following:

General Non-payroll Disbursements

The District did not certify six percent (6%) of the transactions tested prior to the obligation date and none of the three exceptions provided above were utilized.

Unrecorded Non-payroll Liabilities

The District did not certify sixty-nine percent (69%) of the transactions tested prior to the obligation date and none of the three exceptions provided above were utilized.

Centers for Disease Control Prevention – Investigations and Technical Assistance Grant Disbursements

The District did not certify nine percent (9%) of the transactions tested prior to the obligation date and none of the three exceptions provided above were utilized.

Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds and negative cash fund balances. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the District uses the exceptions noted above, 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 Fiscal Officer certify that 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 Section 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 Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

We acknowledge that previous staff (in place during 2007) kept accounting records on a strictly cash basis. For that purpose, at the end of each calendar year, he cancelled existing encumbrances and re-encumbered the same amounts at the beginning of the next year in order to avoid accrual. The County Auditor's office, fully aware that this was his practice, did not request or require a Then and Now Certificate. Although this practice has since been discontinued, it is important to point out that at all times the cash basis accounting system was accurate.

FINDING NUMBER 2007-002

Significant Deficiency

The District should maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report their transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted instances where revenue was not properly classified in the District's financial statements. During testing of receipts we noted the following conditions in 2007:

- The District recorded revenue in the General fund totaling \$368,680 received for the performance of storm water services they provided via an agreement entered into with the Hamilton County Storm Water District and services as intergovernmental revenue. This revenue should be recorded as charges for services.
- The District recorded revenue in the General fund totaling \$9,761 received for late fees collected on permit fees as charges for services. This revenue should be recorded as fines, licenses, and permits.

The District posted the necessary adjustments to their financial statements and, where applicable, their accounting system.

Failure to properly post revenue can result in improper fund balances, misleading financial statements, and can cause the District to misappropriate funds. We recommend that all receipts be properly posted and reviewed for accuracy.

Officials' Response:

We are willing to reclassify the revenues listed to different areas on the financial statements. However, we object to their categorization as a significant deficiency. For instance, the revenue of \$368,680 for the storm water contract was classified as intergovernmental revenue. The Auditor of State is requesting that it be reclassified as a charge for service. As the contract with the Stormwater District is fiscally managed by the County Engineer, the funds are held and maintained by the County Treasurer. As such, we feel they were appropriately classified as intergovernmental revenue. We fail to see the reason for a classification of these types of issues as significant deficiencies.

FINDING NUMBER 2007-003

Material Noncompliance/Significant Deficiency

Finding Number 2008-004 describes deficiencies in preparing the District's schedule of expenditures of federal awards. We believe this finding also represents material noncompliance and a significant deficiency under 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*.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2007-004

Noncompliance/Significant Deficiency

1. Title of Finding

Finding Number	2007-004
CFDA Title and Number	State and Community Highway Grant – 20.600 Special Programs for the Aging – Title IV and Title II – Discretionary Projects – 93.048 Public Health Emergency Preparedness – 93.069 Centers for Disease Control and Prevention – Investigations and Technical Assistance – 93.283 Preventive Health and Health Service Block Grant – 93.991
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Transportation U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Public Safety Ohio Department of Health Council on Aging of Southwestern Ohio

Title 45 of the Code of Federal Regulations (CFR) part 92.20(a) states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

OMB Circular A-133 Subpart C Section .300 states that the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs
- (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133, Section 310.

**FINDING NUMBER 2007-004
(Continued)**

During our review of the District's schedule of expenditures of federal awards and supporting records we noted the following conditions:

- All revenue for federal awards was posted to the General fund, however the District did not separately track revenue and unobligated balances for each of its federal grants in their accounting system.

The District used Organizational Cost Accounts (OCA) in their accounting system to separately track expenditures related to federal awards received. However, in 2007, the District used the same OCA to track expenses for their Centers for Disease Control and Prevention – Investigations and Technical Assistance grant (CFDA #93.283) and their Public Health Emergency Preparedness grant (CFDA #93.069). The District had to research and subsequently document by spreadsheet which transactions recorded to the County Auditor system [Performance] belonged to which grants for the individual federal program amounts on the Ohio Department of Health [DOH] grants management system.

- The District did not track all payroll expenses related to federal programs by the proper OCA assigned for the program in their accounting system. The District had to research and subsequently document by spreadsheet which transactions recorded to the County Auditor system [Performance] belonged to which grants for the individual federal program amounts on the Ohio Department of Health [DOH] grants management system.
- The District did not report any expenditures for monies they received and expended in relation to the State and Community Highway Safety grant (CFDA #20.600) and Special Programs for the Aging – Title IV and Title II – Discretionary Projects (CFDA #93.048) on the schedule of expenditures of federal awards. Upon review of the District's records it was determined that they expended \$107,615 and \$48,124 respectively for these grants.

The District has made the necessary adjustments to the Schedule of Federal Awards expenditures.

Failure to use grant accounting procedures could result in a lack of separate accountability of federal funds and an inability to track expenditures by their specific source, which could result in noncompliance with federal grant requirements.

The District should review and compare the grants that they are reporting on their federal schedule to the notice of awards and/or grant agreements in relation to the grant and the catalog of federal domestic assistance to ensure that they are properly reporting the correct CFDA numbers and titles of the federal programs. The federal schedule expenditures included in the report has been adjusted to properly reflect the correct amounts, CFDA numbers, and titles of the federal programs.

Officials' Response:

We acknowledge the findings listed regarding maintenance of separate funds and records for all Federal awards. We have since created a separate grant fund and are using grant accounting to separately and accurately track each award, and are certain that this method will provide better transparency. We still feel it is important to note that while a separate fund account should have been maintained, the Health District did keep accurate and separate paper records of the awards, and no awards were at any time misspent or misreported to the grantors.

**FINDING NUMBER 2007-004
(Continued)**

Regarding the concern about the exclusion of the State and Community Highway Safety grant, it should be considered that the prior decade of federal schedules had been prepared by two private independent auditors, and that this grant was never included or considered as a federal award, but rather as a state award from the Ohio Department of Public Safety. Our exclusion of the award from the 2007 federal schedule was an oversight based on ten years of complete and accurate audit reports developed by independent auditors. The Hamilton County General Health District followed the guidance from prior State Audits. This grant will be included on our 2008 federal schedule.



Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

HAMILTON 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
FEBRUARY 4, 2010**