



**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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Mary Taylor, CPA Auditor of State

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

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.

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

Mary Taylor, CPA
Auditor of State

August 25, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

We have audited the accompanying financial statements of the Erie County General Health District, Erie County, (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.

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 year 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 year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Erie County General Health District, Erie County, as of December 31, 2007, and its combined cash receipts and disbursements for the year 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 August 25, 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.

Our audit was performed to form an opinion on the financial statements taken as a whole. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 25, 2008

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE 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>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Taxes	\$1,828,744		\$1,828,744
Intergovernmental	336,240	\$1,016,278	1,352,518
Charges for Services		1,244,212	1,244,212
Permits		138,494	138,494
Other Fees	2,916	200,079	202,995
Licenses		228,424	228,424
Contractual Services		691,433	691,433
Other Receipts	21,382	184,098	205,480
Total Cash Receipts	2,189,282	3,703,018	5,892,300
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	259,455	2,954,211	3,213,666
Supplies	40,495	236,547	277,042
Remittances to State		121,380	121,380
Equipment	10,361	8,611	18,972
Contracts - Repair	279,308		279,308
Contracts - Services		535,461	535,461
Travel	23,955	83,062	107,017
Communications	13,130	24,674	37,804
Advertising and Printing	8,642	11,436	20,078
Public Employees Retirement	141,562	405,015	546,577
Workers Compensation	1,073	11,920	12,993
Medicare	1,779	40,675	42,454
Medical Insurance	43,332	521,415	564,747
Property and Liability Insurance	24,500		24,500
Other	47,187	42,443	89,630
Total Disbursements	894,779	4,996,850	5,891,629
Total Receipts Over/(Under) Disbursements	1,294,503	(1,293,832)	671
Other Financing Receipts/(Disbursements):			
Transfers-In		1,368,782	1,368,782
Transfers-Out	(1,324,742)	(44,040)	(1,368,782)
Total Other Financing Receipts/(Disbursements)	(1,324,742)	1,324,742	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,239)	30,910	671
Fund Cash Balances, January 1	1,500,301	(27,966)	1,472,335
Fund Cash Balances, December 31	\$1,470,062	\$2,944	\$1,473,006

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

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

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 Erie County General Health District, Erie County, (the District) as a body corporate and politic. The District is a combined Board of Health as defined by 3709.07 of the Revised Code. The District is the union of the city health departments of Sandusky, Huron, and Vermilion and the Erie County Board of Health. The District operates under the direction of an eleven-member appointed Board of Health with five members appointed by the City of Sandusky, three members appointed by the District Advisory Council, one member appointed by the District Licensing Council, and one member each appointed by the cities of Huron and Vermilion. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues 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 Erie 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

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

Home Health Fund - This fund receives fees for providing home nursing services to elderly and homebound persons.

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

The District did not properly certify the availability of funds prior to incurring the expenditure during fiscal year 2007.

A summary of 2007 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,194,676	\$2,189,282	(\$5,394)
Special Revenue	3,719,144	5,071,800	1,352,656
Total	\$5,913,820	\$7,261,082	\$1,347,262

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$685,550	\$2,219,521	(\$1,533,971)
Special Revenue	5,207,611	5,040,890	166,721
Total	\$5,893,161	\$7,260,411	(\$1,367,250)

Contrary to Ohio law, budgetary expenditures exceeded appropriations by \$1,533,971 in the Health District Fund; by \$7,760 in the Detention Center Fund; by \$31,955 in the School Nursing Fund; by \$9,180 in the PH Infrastructure Fund; by \$27,160 in the Jail Nursing Fund; by \$42,464 in the Vital Statistics Fund; by \$70,305 in the Community Health Fund; by \$90,527 in the Environmental Health Fund; by \$18,585 in the Water Systems Fund; by \$4,315 in the Plumbing Fund; by \$8,371 in the Manufactured Housing Fund; by \$455 in the Marina Fund; and by \$2,550 in the Tattoo Parlors Fund.

Also, contrary to Ohio law, appropriations exceeded certified resources by \$153,348 in the WIC Fund; by \$231,152 in the Home Health Fund; by \$93,013 in the Home Care Plus Fund; by \$4,508 in the CFHS Fund; by \$295,526 in the General Clinics Fund; by \$156,990 in the Women's Health Fund; by \$241,334 in the Family Planning Fund; by \$4,889 in the Help me Grow Fund; by \$77,938 in the School Nursing Fund; by \$43,747 in the BCMH Fund; \$36,291 in the Teen Pregnancy Fund; by \$78,803 in the Community Health Fund; by \$26,201 in the AIDS Fund; by \$81,571 in the Environmental Health Fund; by \$48,967 in Sewage Fund; by \$10,574 in the Water Systems Fund; by \$85,927 in the Food Service Fund; by \$6,188 in the Marina Fund; by \$7,364 in the Manufactured Home Parks Fund; by \$2,455 in the Camps Fund; and by \$5,603 in the Pools / Spas Fund.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

3. TAX RECEIPTS

The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$1,828,744 in 2007. The financial statements present these amounts as tax receipts.

4. RETIREMENT SYSTEM

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, OPERS members contributed 9.5% of their gross salaries and the District contributed an amount equaling 13.85% of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

5. RISK MANAGEMENT

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

5. RISK MANAGEMENT – (CONTINUED)

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.

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 \$26,000. 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

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

5. RISK MANAGEMENT – (CONTINUED)

<u>Contributions to PEP</u>	
2005	\$18,498
2006	\$20,589
2007	\$22,617

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.

6. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, 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.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE 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
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC Program)	22-1-001-1-CL-07 02210011WA0108	10.557	\$ 391,742 <u>110,169</u>
Total Department of Agriculture			<u>501,911</u>
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
<i>Direct Program</i>			
Water Quality Assessment Study		66.xxx	<u>44,960</u>
Total United States Environmental Protection Agency			<u>44,960</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Health</i>			
Maternal and Child Health Services Block Grant to the States	22-1-001-1-MC-07 2210011MC0108	93.994	21,834 <u>17,113</u>
Total Maternal and Child Health Services Block Grant to the States			<u>38,947</u>
Family Planning - Services	22-1-001-1-XX-06 22-1-001-1-XX-07	93.217	26,990 <u>104,572</u>
Total Family Planning - Services			<u>131,562</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	22-1-001-2-BI-07 02210012PI0108	93.283	106,454 <u>45,397</u>
Total Centers for Disease Control and Prevention - Investigations and Technical Assistance			<u>151,851</u>
Total United States Department of Health and Human Services			<u>322,360</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 869,231</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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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*

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

We have audited the financial statements of the Erie County General Health District, Erie County, (the District) as of and for the year ended December 31, 2007, and have issued our report thereon dated August 25, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

August 25, 2008



Mary Taylor, CPA

Auditor of State

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

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

Compliance

We have audited the compliance of the Erie County General Health District, Erie County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 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 Erie 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.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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



Mary Taylor, CPA
Auditor of State

August 25, 2008

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE 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	Adverse – GAAP Unqualified - Regulatory Basis
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 exception does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 46% of expenditures tested and there was no evidence the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

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

Officials' Response:

Since our County Auditor requires vender specific super blanket certificates, the District has found it much more difficult to process the required amount of purchase orders in a timely and efficient manner. However for 2008, the District along with the County Auditor plan to work together to remedy this situation.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As of December 31, 2007 the following funds had expenditures exceeding appropriations:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Health District (General Fund)	\$685,550	\$2,219,521	(\$1,533,971)
Detention Center Fund	53,645	61,405	(7,760)
School Nursing Fund	481,938	513,893	(31,955)
PH Infrastructure Fund	141,783	150,963	(9,180)
Jail Nursing Fund	146,887	174,047	(27,160)
Vital Statistics Fund	159,117	201,581	(42,464)
Community Health Fund	78,803	149,108	(70,305)
Environmental Health Fund	90,971	181,498	(90,527)
Water Systems Fund	12,174	30,759	(18,585)
Plumbing Fund	145,367	149,682	(4,315)
Manufactured Housing Fund		8,371	(8,371)
Marina Fund	15,305	15,760	(455)
Tattoo Parlors Fund		2,550	(2,550)

**FINDING NUMBER 2007-002
(Continued)**

The following funds had sufficient estimated resources available to permit the Director of Administrative Services to increase fund appropriations eliminating noncompliance: General Fund, PH Infrastructure, Community Health, Environmental Health, Water Systems, and Plumbing.

The following funds had sufficient revenues to permit the Director of Administrative Services to increase estimate resources and appropriations eliminating noncompliance: Detention Center, School Nursing, Jail Nursing, Vital Statistics, Manufactured Housing, Marina, and Tattoo Parlors.

The failure to have adequate appropriations in place at the time expenditures are being made could result in expenditures exceeding available resources, resulting in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Director of Administrative Services may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

The District's fiscal office will monitor appropriations to allow for sufficient funds.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 3709.28 provides, in part, the District Board of Health's total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the County Auditor and approved by the County Budget Commission. In addition, no appropriations measure shall become effective until the District files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

**FINDING NUMBER 2007-003
 (Continued)**

As of December 31, 2007 the following funds had appropriations exceeding estimated resources:

<u>Funds</u>	<u>Certified Resources</u>	<u>Total Appropriations</u>	<u>Excess</u>
WIC Fund	\$382,657	\$536,005	(\$153,348)
Home Health Fund	769,859	1,001,011	(231,152)
Home Care Plus Fund	93,000	186,013	(93,013)
CFHS Fund	40,217	44,725	(4,508)
General Clinics Fund	148,000	443,526	(295,526)
Womens Health Fund	244,000	400,990	(156,990)
Family Planning Fund	205,551	446,885	(241,334)
Help Me Grow Fund	20,500	25,389	(4,889)
School Nursing Fund	404,000	481,938	(77,938)
BCMH Fund	20,000	63,747	(43,747)
Teen Pregnancy Fund	56,000	92,291	(36,291)
Community Health Fund		78,803	(78,803)
AIDS Fund	58,000	84,201	(26,201)
Environmental Health Fund	9,400	90,971	(81,571)
Sewage Fund	102,150	151,117	(48,967)
Water Systems Fund	1,600	12,174	(10,574)
Food Service Fund	187,567	273,494	(85,927)
Marina Fund	9,117	15,305	(6,188)
Manufactured Home Parks Fund	7,295	14,659	(7,364)
Camps Fund	5,616	8,071	(2,455)
Pools / Spas Fund	27,945	33,548	(5,603)

The following funds had sufficient revenues so as to allow the Director of Administrative Services to obtain an amended certificate to cover the appropriations adopted: School Nursing, Community Health, Environmental Health, Water Systems, and Marina Fund.

The following funds had sufficient revenues so as to allow the Director of Administrative Services to obtain an amended certificate and reduce appropriations to the actual level of expenditures in order to obtain compliance: Home Health, CFHS, General Clinics, Women's Health, Family Planning, Help Me Grow, BCMH, Teen Pregnancy, AIDS, Sewage, Food Service, Manufactured Home Parks, Camps Fund, Pools / Spas.

The Director of Administrative Services could have reduced appropriations to the actual level of expenditures in order to obtain compliance for the Home Care Plus Fund.

The WIC Fund did not have revenues that were sufficient so as to allow the Fiscal Officer to obtain an amended certificate to cover the appropriations adopted.

The failure to limit appropriations to amounts certified could allow expenditures to exceed available resources and create deficit spending practices, resulting in deficit fund balances.

**FINDING NUMBER 2007-003
(Continued)**

We recommend the Director of Administrative Services monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

Officials' Response:

The District's fiscal office will work with the County Auditor and Budget Commission to amend our official estimate to exceed appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code § 5705.41(D)(1) – Expenditures not certified	No	Repeated as finding 2007-001 in this report.
2006-002	Ohio Revised Code § 5705.41(B) – Expenditures in excess of appropriations	No	Repeated as finding 2007-002 in this report.
2006-003	Ohio Revised Code § 3709.28 – Appropriations in excess of estimated resources	No	Repeated as finding 2007-003 in this report.



Mary Taylor, CPA
Auditor of State

ERIE COUNTY GENERAL HEALTH DISTRICT

ERIE 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
SEPTEMBER 18, 2008**