



Mary Taylor, CPA
Auditor of State

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

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Mary Taylor, CPA
Auditor of State

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

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

May 12, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

We have audited the accompanying financial statements of the General Health District, Allen County, (the District), as of and for the year ended December 31, 2008. 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 requires 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, 2008 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, 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the General Health District, Allen County, as of December 31, 2008, 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 May 12, 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 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 schedule of federal awards expenditures. The schedule is not a required part of the financial statements. We subjected the schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

May 12, 2009

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>All Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal Awards	\$5,000	\$1,271,586	\$1,276,586
State Grants and Subsidies	36,008	353,790	389,798
Subdivision Revenue	776,687		776,687
Permits		21,961	21,961
Fees	734,017	198,747	932,764
Licenses	18,570	299,523	318,093
Contractual Services	190,125	183,288	373,413
Refunds	9,750	157	9,907
Miscellaneous	3,671		3,671
Total Cash Receipts	<u>1,773,828</u>	<u>2,329,052</u>	<u>4,102,880</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	957,979	1,373,699	2,331,678
Public employee's retirement	106,389	191,775	298,164
Medicare Tax	10,182	19,275	29,457
Health and Life Insurance	1,840	231,463	233,303
Workers' Compensation	14,339	19,506	33,845
Social Security	332		332
Supplies	95,998	154,593	250,591
Remittances to State	154,546		154,546
Equipment	23,316	42,104	65,420
Contracts - Repair	2,381	1,431	3,812
Contracts - Services	74,704	35,107	109,811
Travel	18,287	24,567	42,854
Utilities and Rentals	116,935	79,366	196,301
Other	38,692	170,524	209,216
Total Cash Disbursements	<u>1,615,920</u>	<u>2,343,410</u>	<u>3,959,330</u>
Total Receipts Over/(Under) Disbursements	<u>157,908</u>	<u>(14,358)</u>	<u>143,550</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	1,962		1,962
Transfers-Out	(120,253)	(1,962)	(122,215)
Total Other Financing Receipts/(Disbursements)	<u>(118,291)</u>	<u>(1,962)</u>	<u>(120,253)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,617	(16,320)	23,297
Fund Cash Balances, January 1	<u>124,752</u>	<u>134,267</u>	<u>259,019</u>
Fund Cash Balances, December 31	<u>\$164,369</u>	<u>\$117,947</u>	<u>\$282,316</u>

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

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Internal Service</u>
Cash Disbursements:	
Claims and Premium Expenses	\$144,667
Total Disbursements	<u>144,667</u>
Other Financing Receipts	
Transfers-In	120,253
Total Other Financing Receipts	<u>120,253</u>
Excess of Other Financing Receipts Over/(Under) Cash Disbursements	(24,414)
Fund Cash Balance, January 1	<u>24,414</u>
Fund Cash Balance, December 31	<u><u>\$0</u></u>

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

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Allen County, (the District) as a body corporate and politic. A seven-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and 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. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Internal Service Fund

This fund is used to account for the financing of goods and services provided by one department to other departments of the District, on a cost-reimbursement basis. The District had the following significant Internal Service Fund:

Health Benefits Fund – This fund provides funds for the payment of health insurance premiums.

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentation for items that should have been encumbered.

A summary of 2008 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,792,287	\$1,775,790	(\$ 16,497)
Special Revenue	2,261,748	2,329,052	67,304
Internal Service		120,253	120,253
Total	\$4,054,035	\$4,225,095	\$171,060

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,500,043	\$1,736,173	\$1,763,870
Special Revenue	414,492	2,345,372	(1,930,880)
Internal Service	389,500	144,667	244,833
Total	\$4,304,035	\$4,226,212	\$ 77,823

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over 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 subdivision revenue.

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 2008, OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. For the year ended December 31, 2008, 92 percent of the amount due has been contributed.

5. CONTRACTUAL OBLIGATIONS

The District is a party to a twenty year lease for rental of office space. This lease was effective November 1, 1991 and terminates October 31, 2011. The lease requires the District to remit monthly payments on the first day of each month. The lease payments were fixed for the first five years at \$78,599 per year. At the end of the first five years, the lease rental payments increased by five percent to \$82,425 per year and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payment increased by five percent to \$86,546 and will remain fixed through the fifteenth year.

At the end of the fifteenth year, the lease rental payments increased by five percent to \$90,874 per year and will remain fixed through the conclusion of the original lease. Total payments required to fulfill this lease as of December 31, 2008 are \$257,477.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

5. CONTRACTUAL OBLIGATIONS (Continued)

During 1993, an amendment was attached to the above lease agreement. Construction was performed on the building to provide additional office space for the WIC division. The additional lease was effective July 21, 1993 and terminates October 31, 2011. The lease requires the District to remit monthly payments of \$325. At the end of the first five years, the lease rental payments increased by five percent to \$341.25 and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payments increased by five percent to \$358.32 and will remain fixed through the fifteenth year. At the end of the fifteenth year, the lease rental payments increased by five percent to \$376.24 and will remain fixed through the conclusion of the lease. Total payments required to fulfill this lease as of December 31, 2008 are \$12,792.

During 2008, the District entered into an agreement for the rental of space for the WIC Division. The lease was effective October 1, 2008 and terminates September 30, 2009. The lease amount is \$2,200 per month. Total payments required to fulfill this lease as of December 31, 2008 are \$19,800.

During 2008, the District entered into an agreement for the rental of space for the Family Planning Division. The lease was effective June 1, 2008 and terminates May 31, 2010. The lease amount is \$1,600 per month. Total payments required to fulfill this lease as of December 31, 2008 are \$27,200.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the audit period, the District contracted with several companies for various types of insurance as follows.

Company	Type of Coverage	Maximum	Deductible
Indiana Insurance	Business Personal Property	\$353,371	\$ 250
	(90% co-insurance)		
	Extra Expense	50,000	250
	Commercial Crime	20,000	250
	Electronic Data Processing	116,000	250
CNA Insurance	Auto Liability/Uninsured Motorists	1,000,000	250
	Dishonesty/Forgery/Alteration	10,000 per occurrence	1,000

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

Risk Pool Membership

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.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

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.

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 (latest information available).

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

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 \$10,000. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

6. RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
2006	\$10,082
2007	9,583
2008	9,057

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.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies 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.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S Department of Agriculture			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	WA-01-08 WA-02-09	10.557	\$395,008 <u>138,460</u>
Total U.S. Department of Agriculture			533,468
U.S. Department of Health and Human Services			
<i>Passed Through Ohio Department of Health</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	BC-01-08 AE-07	93.283	54,834 68,266
Centers for Disease Control and Prevention - Investigations and Technical Assistance Public Health Infrastructure Grant	PI-01-08 PI-02-09	93.283	106,349 <u>40,947</u>
Total Center for Disease Control and Prevention- Investigations and Technical Assistance			270,396
Preventive Health and Health Services Block Grant Cardiovascular Disease Grant	FY07 ED07 CH-01-08	93.991	1,984 <u>67,999</u>
Total Preventive Health and Health Services Block Grant			69,983
Maternal and Child Health Services Block Grant to the States	MC-01-08 MC-07	93.994	29,062 <u>138,151</u>
Total Maternal and Child Health Services			167,213
Family Planning Services	FY 07 XX07 FP-01-08	93.217	25,933 <u>108,985</u>
Total Family Planning Services			134,918
Immunization Grant	AZ-07	93.268	58,000
Medical Reserve Corps Small Grant Program	1MRCSG061001-02	93.008	<u>5,000</u>
Total U.S. Department of Health and Human Services			<u>705,510</u>
Total Federal Financial Assistance			<u><u>\$1,238,978</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMINGLING

Some Federal funds were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.



Mary Taylor, CPA

Auditor of State

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

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

We have audited the financial statements of the General Health District, Allen County, (the District), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 12, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

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

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2008-001, is also material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 12, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We 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 May 12, 2009.

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



Mary Taylor, CPA
Auditor of State

May 12, 2009



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

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

Compliance

We have audited the compliance of the General Health District, Allen 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 each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 General Health District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2008. 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 2008-001.

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.

**Internal Control Over Compliance
(Continued)**

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-001 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. We consider finding 2008-001 to be a material weakness.

We intend this report solely for the information and use of the management, Members of 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

May 12, 2009

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP: Adverse Regulatory Basis: Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(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)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(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?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
(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**

See (federal) finding 2008-001 below; that finding is also required to be reported under GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2008-001
CFDA Title and Number	CFDA #93.283 Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs/Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Award Number/Year	BC-01-08, AE-07, PI-01-08, PI-02-09, WA-01-08, & WA-02-09
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health and Human Services

Noncompliance - Material Weakness - Proper Accounting for Grant Funds

28 CFR Subpart C, Section 70.21(a)(2) states that recipients must relate financial data to performance data and development unit cost information whenever practical. The recipient’s financial management systems must provide records that identify adequately the source and application of funds for Federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Separate funds were not maintained for each federal grant nor were the expenditure transactions related to each grant reported within the related fund in the accounting system. Transfers were made from all grant funds and various other funds to the General Fund to pay the payroll and payroll related costs which were paid entirely from the General Fund. Separate excel spreadsheets were then maintained to show the appropriate expenditures from each fund. Transfers from the General fund to an Internal Service Fund were being made to pay health insurance premiums. These payroll and premium expenditures were then allocated to the individual grant funds per the excel spreadsheet.

Difficulties were encountered when agreeing grant expenditures to the underlying accounting records and report presentation. The lack of separate accountability for each fund (cash expenditures being charged directly to the appropriate fund) resulted in difficulty determining which expenditure related to which fund or grant, and if the expenditures were in accordance with program requirements.

As of October 1, 2005, Allen County, (the fiscal agent) changed the accounting software system so that an expenditure may be charged to more than one fund with only one check issued. Since the District has the means to charge and report expenditures in the appropriate fund, separate funds should be established for each federal grant and all transactions relating to that grant should be charged to and reported in the established fund. Transfers for payroll purposes should be eliminated. The Internal Service Fund should also be eliminated and the health care costs should be charged directly to the appropriate funds. The District would not only see a savings in work time but also a reduction in audit costs.

Officials Response:

We did not receive a response from officials.

**GENERAL HEALTH DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for Adjustment: Ohio Rev. Code Section 3714.07; Improper Transfer of construction and demolition fees.	Yes	
2007-002	28 CFR Subpart C, Section 70.21(a)(2); Proper Accounting for Grant Funds	No	Repeated as Finding 2008-001



Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2009**