



Dave Yost • Auditor of State

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

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Dave Yost • Auditor of State

General Health District
Mercer County
220 W. Livingston Street, Room B152
Celina, Ohio 45822

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 6, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Mercer County
220 W. Livingston Street, Room B152
Celina, Ohio 45822

To the Board of Trustees:

We have audited the accompanying financial statements of General Health District, Mercer County, (the District) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the District to reformat the 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position 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 and reserves for encumbrances of General Health District, Mercer County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 6, 2011

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$282,439	\$279,021	\$561,460
Permits	6,570	15,228	21,798
Fees	305,776	28,776	334,552
Licenses	4,660	105,591	110,251
Miscellaneous	680	2,415	3,095
Total Cash Receipts	<u>600,125</u>	<u>431,031</u>	<u>1,031,156</u>
Cash Disbursements:			
Salaries	370,857	55,636	426,493
Fringe Benefits	150,531	10,266	160,797
Supplies	79,452		79,452
Remittances to State	37,574	33,403	70,977
Remittances to Township		673	673
Equipment	689		689
Contracts - Repair			
Contracts - Services	997		997
Contracts - Maintenance and Repair		33,256	33,256
Travel	6,835	6,522	13,357
Project Fund Expenses		289,297	289,297
Other	10,291	27,594	37,885
Total Disbursements	<u>657,226</u>	<u>456,647</u>	<u>1,113,873</u>
Total Receipts Over/(Under) Disbursements	<u>(57,101)</u>	<u>(25,616)</u>	<u>(82,717)</u>
Other Financing Receipts/(Disbursements):			
Advances-In		55,723	55,723
Advances-Out	(27,723)	(28,000)	(55,723)
Reduction of Prior Year Receipt		(34,231)	(34,231)
Refund of Prior Year Expenditure	34,231		34,231
Other Financing Receipts	1,417	1,137	2,554
Total Other Financing Receipts/(Disbursements)	<u>7,925</u>	<u>(5,371)</u>	<u>2,554</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(49,176)	(30,987)	(80,163)
Fund Cash Balances, January 1	<u>204,654</u>	<u>208,931</u>	<u>413,585</u>
Fund Cash Balances, December 31	<u>\$155,478</u>	<u>\$177,944</u>	<u>\$333,422</u>
Reserves for Encumbrances, December 31	<u>\$35,441</u>	<u>\$66,717</u>	<u>\$102,158</u>

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$257,267	\$241,464	\$498,731
Permits	3,740	8,985	12,725
Fees	280,145	39,175	319,320
Licenses	1,050	90,159	91,209
Miscellaneous	403	449	852
Total Cash Receipts	<u>542,605</u>	<u>380,232</u>	<u>922,837</u>
Cash Disbursements:			
Salaries	301,787	37,162	338,949
Fringe Benefits	106,980	6,505	113,485
Supplies	76,141		76,141
Remittances to State	29,879	59,293	89,172
Remittances to Township		1,261	1,261
Equipment	1,262		1,262
Contracts - Services	184		184
Contracts - Maintenance and Repair		1,920	1,920
Department of Ag Share		1,554	1,554
Travel	5,979	10,598	16,577
Project fund Expenditures		173,631	173,631
Other	17,624	12,325	29,949
Total Disbursements	<u>539,836</u>	<u>304,249</u>	<u>844,085</u>
Total Receipts Over/(Under) Disbursements	<u>2,769</u>	<u>75,983</u>	<u>78,752</u>
Other Financing Receipts/(Disbursements):			
Advances-In	3,000	3,000	6,000
Advances-Out	(3,000)	(3,000)	(6,000)
Other Financing Receipts	3		3
Total Other Financing Receipts/(Disbursements)	<u>3</u>	<u></u>	<u>3</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,772	75,983	78,755
Fund Cash Balances, January 1 (Restated)	<u>201,882</u>	<u>132,948</u>	<u>334,830</u>
Fund Cash Balances, December 31	<u>\$204,654</u>	<u>\$208,931</u>	<u>\$413,585</u>
Reserves for Encumbrances, December 31	<u>\$29,743</u>	<u>\$55,376</u>	<u>\$85,119</u>

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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, Mercer County, (the District) as a body corporate and politic. A five-member District and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, hazard preparedness 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 basis of accounting 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 adequately disclose material matters the Auditor of State's accounting basis requires.

C. Cash

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

These funds 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:

Food Service Fund - This fund accounts for the sale of food service licenses.

Prenatal/CFHS Grant Fund - This fund receives State and Federal grant money to provide child and family prenatal health services.

Public Health Emergency Preparedness (PHEP) Grant Fund - This fund receives Federal grant money to provide for the development of public health infrastructure.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Health Emergency Response (PHER) Grant Funds – These funds receive Federal grant money to support and enhance the public health infrastructure that is critical to public health preparedness and response.

Trailer Park Fund - This fund accounts for the sale of campground and trailer park licenses.

Swimming Pool Fund - This fund accounts for the sale of public pool and spa licenses.

Construction and Demo Debris (C&DD) Fund - This fund accounts for tipping fees and licenses.

Water System Fund - This fund receives money for permits and fees of well and water testing.

Solid Waste Fund - This fund receives money for licenses and tipping fees from solid waste facilities in the County.

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 must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. RESTATEMENT OF FUND CASH BALANCES

In the prior audit, an adjustment was made to correct a 2008 advance by increasing the General Fund by \$3,000; however, no corresponding advance out was made to the Special Revenue Fund.

Fund Balance (Special Revenue Fund) at December 31, 2008	\$135,948
Advance Out	<u>(3,000)</u>
Restated Fund Balance at December 31, 2008	<u>\$132,948</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 704,726	\$ 635,773	(\$ 68,953)
Special Revenue	825,703	432,168	(393,535)
Total	<u>\$1,530,429</u>	<u>\$1,067,941</u>	<u>(\$462,488)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 909,379	\$ 692,667	\$216,712
Special Revenue	993,937	557,595	436,342
Total	<u>\$1,903,316</u>	<u>\$1,250,262</u>	<u>\$653,054</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 552,352	\$542,608	(\$ 9,744)
Special Revenue	741,919	380,232	(361,687)
Total	<u>\$1,294,271</u>	<u>\$922,840</u>	<u>(\$371,431)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 751,235	\$569,579	\$181,656
Special Revenue	875,519	359,625	515,894
Total	<u>\$1,626,754</u>	<u>\$929,204</u>	<u>\$697,550</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.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. RETIREMENT SYSTEMS

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For both 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid 96% of contributions for 2010 and 100% of contributions for 2009.

6. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, 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 \$3,867.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

Contributions to PEP	
2009	\$4,216
2010	4,114

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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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Dave Yost • 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
Mercer County
220 W. Livingston Street, Room B152
Celina, Ohio 45822

To the Board of Trustees:

We have audited the financial statements of the General Health District, Mercer County, (the District) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated June 6, 2011, wherein we noted the District followed accounting practices the Auditor of State prescribed 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The District's response to the finding identified in our audit 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, Board of Trustees, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

June 6, 2011

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Significant Deficiency

Purchase Orders

All purchase orders should be reviewed by the District prior to year end to determine whether they still represent valid purchase commitments and whether the District should totally or partially cancel the commitment. Our testing of outstanding purchase orders at December 31, 2009 noted that \$92,932 of the outstanding purchase orders were not for valid commitments and were subsequently closed in 2010.

The failure to monitor the outstanding purchase orders resulted in an overstatement of outstanding encumbrances by 52% and an understatement of available unencumbered balances at year-end by 22%. The accompanying budgetary note disclosure required an audit adjustment to the General and Special Revenue Funds reserve for encumbrances to correct for the invalid outstanding purchase orders at December 31, 2009.

The District should initiate a review of outstanding purchase orders prior to year end to determine if they still represent valid purchase commitments.

Official's Response:

The lapse in not closing purchase orders before the calendar yearend occurred because the Fiscal Director position was vacant. On March 9, 2011, the Board directed the Administrator to see that all yearend purchase orders were closed out before the end of December each fiscal year. The Administrator has instructed the current interim Fiscal Director of the Board's motion. This will also be reinforced to the Director of Fiscal Management position once filled.

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Dave Yost • Auditor of State

GENERAL HEALTH DISTRICT

MERCER 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 28, 2011**