

General Health District

Ross County, Ohio

Single Audit

January 1, 2004 through December 31, 2004

Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

Members of the Board
General Health District of Ross County
475 Western Avenue, Suite A
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the General Health District, Ross County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The General Health District of Ross County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 1, 2005

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Ross County, Ohio
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

General Health District
Ross County, Ohio
475 Western Avenue, Suite A
Chillicothe, Ohio 45601

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the General Health District, Ross County, Ohio, (the District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, and the major fund of the District as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

General Health District
Ross County, Ohio
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.
August 3, 2005

General Health District
Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of Ross County General Health District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2004, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2004 are as follows:

There was a reduction in net assets from 2003 to 2004 of \$9,830.

The District's receipts are primarily from charges for services, intergovernmental receipts, and property taxes. These receipts represent 91.74 percent of the total cash received for governmental activities during 2004. The remaining receipts are attributed to fees and miscellaneous receipts.

The District's disbursements are primarily composed of home health and community health with \$2,240,435 and \$1,799,946 disbursed for 2004.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a slightly different level of information. The District records and budgets the activity of all programs within the General Fund and uses sub funds to track these individual programs. These statements present financial information by fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the financial statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

General Health District
Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during 2004, within the limitations of modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for its governmental program. Program receipts include charges paid by the recipient of the program services and for grant monies received. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how its governmental activity draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, and the reliance on non-local financial resources for operations.

In the statement of net assets and the statement of activities, we divide the District into one type of activity:

Governmental Activities – All of the District's basic services are reported here.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major fund – not the District as a whole. The District's only fund in the General Fund.

Governmental Funds – The District's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's governmental fund is presented on the fund financial statements. For 2004, the District's governmental fund is the General Fund. The disbursements reported in its governmental fund are the same as those reported in the governmental activities section of the entity-wide statements.

General Health District
Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The District's as a Whole

Table 1 provides a summary of the District's net assets for 2004 compared to 2003 on a modified cash basis:

Table 1
Net Assets

	Governmental Activities	Governmental Activities
	2004	2003
<i>Assets</i>		
Equity in County Treasury	\$1,310,392	\$1,320,222
Total Assets	<u>1,310,392</u>	<u>1,320,222</u>
<i>Net Assets</i>		
Restricted	-	189,282
Unrestricted	1,310,392	1,130,940
Total Net Assets	<u>\$1,310,392</u>	<u>\$1,320,222</u>

As mentioned previously, net assets of governmental activities decreased \$174,334 or 13.20 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Receipts increased by \$722,635 due primarily to an increase in charges for services and fees receipts of \$862,965 and a decrease in intergovernmental receipts of \$113,319.
- Disbursements increased by \$1,065,284 due primarily to an increase in salaries and wages of \$568,204, and an increase in fringe benefits of \$408,065.

Table 2 reflects the changes in net assets in 2004. Since the District did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

General Health District
Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2
Change in Net Assets

	Governmental Activities
	2004
<i>Receipts:</i>	
<i>Program Receipts:</i>	
Charges for Services	\$3,498,558
Operating Grants and Contributions	1,833,252
Total Program Receipts	5,331,810
<i>General Receipts:</i>	
Property Taxes	713,863
Grants and Entitlements not Restricted To Specific Programs	69,779
Miscellaneous	8,988
Total General Receipts	792,630
Total Receipts	6,124,440
 <i>Disbursements:</i>	
<i>Current:</i>	
<i>Public Health Services:</i>	
Children' Health	891,966
Environmental Health	463,697
Community Health	1,799,946
Administrative Services	595,011
Home Health	2,240,435
Community Preparedness	143,215
Total Disbursements	6,134,270
 <i>Change in Net Assets</i>	 (9,830)
 <i>Net Assets, January 1</i>	 1,320,222
 <i>Net Assets, December 31</i>	 \$1,310,392

Program receipts represent 87.06 percent of total receipts in 2004, and are primarily comprised of charges for services collected from customers and for operating grants and contributions.

General receipts represent 12.94 percent of the District's total receipts for 2004. These receipts consist of property taxes, general grant receipts, and miscellaneous receipts.

Disbursements consist primarily of home health services, community health services, children's health services, and other disbursements.

General Health District
Ross County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Governmental Activities

If you look at the Statement of Activities, as referenced in the table of contents, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the Statement, entitled Program Cash Receipts, identifies two types of program receipts. The first type is charges for services which consists of amounts paid by people who are directly charged for services provided. The second type is operating grants and contributions which consist of grants and contributions directly related to program services being provided. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided from sources other than charges for services and operating grants and contributions. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost Of Services 2004	Net Cost Of Services 2004
Children's Health	\$891,966	\$168,542
Environmental Health	463,697	101,986
Community Health	1,799,946	456,447
Administrative Services	595,011	(231,758)
Home Health	2,240,435	267,374
Community Preparedness	143,215	39,869
Total Disbursements	\$6,134,270	\$802,460

The District's Funds and Budgeting Highlights

The general fund had receipts of \$6,124,440 and disbursements of \$6,134,270 in 2004. The greatest change within general fund related to receipts with an increase in charges for services and fees receipts and a decrease in intergovernmental revenue. There was also an increase in disbursements due to an increase in salaries and wages and fringe benefits.

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During 2004, the District amended its General fund budget to reflect changing circumstances. Final disbursements were budgeted at \$7,080,676 while actual disbursements were \$6,853,467.

Capital Assets

The District does not currently report its capital assets and infrastructure as it is not required by law.

Debt

The District had no debt outstanding as of December 31, 2004.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Donald Holcomb, Chief Fiscal Officer, 475 Western Avenue, Chillicothe, Ohio 45601.

General Health District
Ross County, Ohio
Statement of Net Assets - Modified Cash Basis
For the Year Ended December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in County Treasury	<u>\$1,310,392</u>
Total Assets	<u><u>1,310,392</u></u>
Net Assets	
Unrestricted	<u>1,310,392</u>
Total Net Assets	<u><u>\$1,310,392</u></u>

See accompanying notes to the basic financial statements.

General Health District
Ross County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Children's Health	\$891,966	\$489,799	\$233,625	(\$168,542)
Environmental Health	463,697	244,899	116,812	(101,986)
Community Health	1,799,946	909,625	433,874	(456,447)
Administrative Services	595,011	559,769	267,000	231,758
Home Health	2,240,435	1,224,495	748,566	(267,374)
Community Preparedness	143,215	69,971	33,375	(39,869)
Total Governmental Activities	<u>\$6,134,270</u>	<u>\$3,498,558</u>	<u>\$1,833,252</u>	(802,460)
		General Receipts		
		Property Taxes Levied for General Health District Purposes		713,863
		Grants and Entitlements not Restricted to Specific Programs		69,779
		Miscellaneous		8,988
		Total General Receipts		792,630
		Change in Net Assets		(9,830)
		Net Assets Beginning of Year		<u>1,320,222</u>
		Net Assets End of Year		<u>\$1,310,392</u>

See accompanying notes to the basic financial statements

General Health District
Ross County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	<u>General</u>
Assets	
Equity in County Treasury	<u>\$1,310,392</u>
Total Assets	1,310,392
Fund Balances	
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>1,310,392</u>
Total Fund Balances	<u><u>\$1,310,392</u></u>

See accompanying notes to the basic financial statements

General Health District
Ross County, Ohio
Statement of Modified Cash Receipts, Disbursements and Changes
in Modified-Cash Basis Fund Balance
Governmental Funds
For the Year Ended December 31, 2004

	General
Receipts	
Property Taxes	\$713,863
Intergovernmental	1,903,031
Charges for Services	3,001,924
Fees	496,634
Miscellaneous	8,988
Total Receipts	6,124,440
Disbursements	
Current:	
Public Health Services:	
Children's Health	891,966
Environmental Health	463,697
Community Health	1,799,946
Administrative Services	595,011
Home Health	2,240,435
Community Preparedness	143,215
Total Disbursements	6,134,270
Net Change in Fund Balances	(9,830)
Fund Balance Beginning of Year - As Restated	1,320,222
Fund Balance End of Year	\$1,310,392

See accompanying notes to the basic financial statements

General Health District
Ross County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts and Other Financing Sources	\$5,926,603	\$6,806,603	\$6,124,440	(\$682,163)
Disbursements and Other Financing Uses	<u>6,548,576</u>	<u>7,080,676</u>	<u>6,134,270</u>	<u>946,406</u>
Net Change in Fund Balance	(621,973)	(274,073)	(9,830)	264,243
Fund Balance Beginning of Year	<u>1,320,222</u>	<u>1,320,222</u>	<u>1,320,222</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$698,249</u></u>	<u><u>\$1,046,149</u></u>	<u><u>\$1,310,392</u></u>	<u><u>\$264,243</u></u>

See Accompanying Notes to the Basic Financial Statements

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ross County General Health District, Ross County, Ohio, (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is responsible for the administration of all health programs established by the Ohio Revised Code, the Ohio Department of Health, and the Public Health Council. Services provided by the District include, but are not limited to, the inspection and licensing of public health programs, community nursing activities, the control of communicable diseases, immunization clinics, environmental health programs and home health activities.

By law, the Ross County Auditor is the fiscal agent of the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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 prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. As of December 31, 2004, the District's share of the County's Cash and Investment Pool was \$1,145,888. All risks associated with deposits and investments held at the Treasurer's Office are the responsibility of Ross County.

The District maintains a bank account to hold District receipts during each month and then makes a monthly deposit to the County. The carrying amount of these deposits as of December 31, 2004 was \$164,504 and the bank balance was \$165,504. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amounts were considered uninsured and uncollateralized. Although all Ohio statutory requirements for the collateralization of deposits had been followed, non-compliance with federal requirements could potentially prevent the District from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized 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 type:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources of the District including monies for grants and other purposes which are not required to be reported in a separate fund.

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Presentation

For fiscal year 2004 the District has implemented the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. There are adjustments to beginning fund balances due to fund reclassifications which are more fully explained in Note 7 to the basic financial statements. The District's basic financial statements consist of government-wide statements, including a statement of net cash assets and statement of activities, and fund financial statements that provide an additional level of financial information.

F. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net assets-modified cash basis presents the modified cash basis financial condition of governmental activities of the District at year-end. The statement of activities-modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services identifiable to a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the District.

G. Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in sub-funds within the General Fund in order to aid financial management and to demonstrate legal compliance. The focus of fund financial statements is on major funds rather than reporting funds by type. The District's only major fund is presented in a separate column.

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Basis of Accounting

The District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

I. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a modified cash basis, receipts from property taxes are recognized in the year in which the monies have been received.

J. Cash Disbursements

On the modified cash basis of accounting, disbursements are recognized at the time payments are made.

K. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted 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 Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Appropriations lapse at year end.

2. Estimated Resources

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

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

L. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

M. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under District's basis of accounting.

2. INTERGOVERNMENTAL RECEIPTS

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. These amounts are included in intergovernmental receipts on the accompanying basic financial statements.

3. LEVIED TAXES

The County Commissioners are serving as the taxing authority to levy a special levy outside the ten-mill limitation to provide the District with sufficient funds to carry out health programs. The levy generated \$713,863 in 2004. This amount is reflected as property taxes receipts on the accompanying basic financial statements.

4. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

The District participates in the OPERS which administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

4. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

OPERS issues a stand alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, members of all three plans, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The District's contributions rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The District has paid all required contributions for 2004, 2003, and 2002.

5. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll and 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

General Health District
Ross County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

6. RISK MANAGEMENT

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

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expense. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks including automobile physical damage, there is no aggregate for 2004 and future accident years. As of 2004, PEP retains property risks, including automobile physical damage, up to \$100,000 on a specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operation contributions.

Property Coverage (Continued)

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

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, 2004.

	<u>2004</u>
<i>Casualty Coverage:</i>	
Assets	\$30,547,049
Liabilities	<u>(16,989,918)</u>
Retained Earnings	<u>\$13,557,131</u>
 <i>Property Coverage:</i>	
Assets	\$3,652,970
Liabilities	<u>(544,771)</u>
Retained Earnings	<u>\$3,108,199</u>

**General Health District
Ross County, Ohio**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2004*

7. JOINTLY GOVERNED ORGANIZATION

Southeastern Ohio Regional Tobacco Coalition (SEORTC) – This coalition is a regional group of health districts working on an approach to tobacco control. The coalition is made up of Fairfield Department of Health, Licking County Health Department, Perry County General Health District, Ross County General Health District, Vinton County General Health District, and Newark City Health Department. The Fairfield Department of Health was approved by the board on June 13, 2002 to be the lead agency for the Southeastern Ohio Regional Tobacco Coalition. As the lead agency, the Fairfield Department of Health applies for the grant, receives the grant monies, and distributes monies to other health districts to carry out the services relating to tobacco control. The various boards of health provide in-kind and/or cash match to the program such as salaries, fringes, supplies, travel, space, training, and advertising. Contracts are entered into with the various participating health districts detailing the operations. The contracts remain in force until the Ohio Tobacco Foundation terminated funding activities and services provided by SEORTC. The participating health districts provide the applicable services and submit the required supporting documentation for those services to the Fairfield Health Department. The Fairfield Health Department reimburses the participating health districts based on the supporting documentation received. The Ross County Health District has no equity interest and no debt obligations, nor is the existence of this organization dependent upon members.

8. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF BEGINNING FUND BALANCES

For fiscal year 2004 the District has implemented the provisions of GASB 34 for financial reporting on a modified cash basis as more fully described in Note 1 to the basic financial statements. In addition the District, effective January 1, 2004 began budgeting, accounting and reporting all of their financial activities out of the General Fund. This change in reporting had the following effects on beginning fund balances as of January 1, 2004:

	General Fund	Special Revenue	Total
Balance as Previously Reported, December 31, 2003	\$ 1,130,940	\$ 189,282	\$ 1,320,222
Fund Reclassifications	189,282	(189,282)	-
Adjusted fund balance, January 1, 2004	\$ 1,320,222	\$ -	\$ 1,320,222

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**GENERAL HEALTH DISTRICT
ROSS COUNTY, OHIO**
*Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004*

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	ODH-71-1-001-1-CL-04 ODH-71-1-001-1-CL-05	10.557	437,689
Total U.S. Department of Agriculture			437,689
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety and Office of the Governor's Highway Safety Representatives:</i>			
State and Community Highway Safety	71000HDO	20.600	26,929
Total U.S. Department of Transportation			26,929
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Health</i>			
Immunization Grants	ODH-71-1-001-2-AZ-04	93.268	18,202
Centers for Disease Control and Prevention Investigations and Technical Assistance	ODH-71-1-001-2-BI-04 ODH-71-1-001-2-BI-05	93.283	121,567
Cooperative Agreements for State-Based Comprehensive Breast and and Cervical Cancer Early Detection Programs	ODH-71-1-001-2-AE-04 ODH-71-1-001-2-AE-05	93.919	175,000
Preventive Health and Health Services Block Grant	ODH-71-1-001-2-ED-04	93.991	96,771
<i>Total Passed through Ohio Department of Health</i>			411,540
<i>Passed Through Ross County Job and Family Services</i>			
Temporary Assistance for Needy Families	ODH-71-1-002-1-EG-04 ODH-71-1-002-1-EG-05 31-6400085	93.558	297,430
<i>Direct:</i>			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	HRSA- 6H76HA00502-06 -06-01, 06-02, 06-03, -06-04, 06-05, 06-06, 06-07	93.918	171,856
SPRANS-Community-Based Abstinence Education	1H1DMC03233-01-00	93.110	152,186
<i>Total Direct from U.S.Department of Health and Human Services</i>			324,042
Total U.S. Department of Health and Human Services			1,033,012
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ross County Job and Family Services</i>			
Help Me Grow	ODH-71-1-002-1-EG-04 ODH-71-1-002-1-EG-05 31-6400085	84.181	73,396
Total U.S. Department of Education			73,396
Total Federal Awards			1,571,026

The accompanying notes to this schedule are an integral part of this schedule.

**GENERAL HEALTH DISTRICT
ROSS COUNTY, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING FUNDS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the schedule.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

General Health District
Ross County, Ohio
475 Western Avenue, Suite A
Chillicothe, Ohio 45601

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the General Health District, Ross County, Ohio, (the District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 3, 2005. In that report, we noted the District revised its financial statement presentation for 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

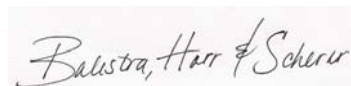
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, federal awarding agencies and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
August 3, 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance with OMB Circular A-133**

General Health District
Ross County, Ohio
475 Western Avenue, Suite A
Chillicothe, Ohio 45601

Compliance

We have audited the compliance of the General Health District, Ross County, Ohio, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its only major federal program for the year ended December 31, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its only major federal program is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 District complied, in all material respects, with the requirements referred to above that are applicable to its only major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.

August 3, 2005

**GENERAL HEALTH DISTRICT
ROSS COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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 section .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

**GENERAL HEALTH DISTRICT
ROSS COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
DECEMBER 31, 2004**

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

Finding Number	None
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3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

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GENERAL HEALTH DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**