

District Board of Health Holmes County

**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2005**

**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State
Betty Montgomery**

District Board of Health
931 Wooster Road
Millersburg, Ohio 44654

We have reviewed the *Independent Auditors' Report* of the District Board of Health, Holmes County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 District Board of Health is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 22, 2006

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DISTRICT BOARD OF HEALTH
HOLMES COUNTY

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DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Appointed Administrative Officials as of December 31, 2005

For the Years Ended December 31, 2005 and 2004

<u>NAME</u>	<u>TITLE</u>	<u>APPOINTED TERM</u>
Carol Miller	President	4/1/2002 – 3/31/2007
Carol Remington	Vice-President	4/1/2003 – 3/31/2008
Daniel Miller, M.D.	Board Member	4/1/2005 – 3/31/2010
Paul Miller	Board Member	4/1/2005 – 3/31/2006
Kurt Rodhe	Board Member	4/1/2004 – 3/31/2009
D.J. McFadden, M.D.	Health Commissioner	6/1/2005 – 5/31/2010
Nyla Burick (A)	Fiscal Officer	Employee

Statutory Legal Counsel

Stephen Knowling, Prosecuting Attorney
184 East Jackson Street
Millersburg, Ohio 44654

Official Address

District Board of Health
931 Wooster Road
Millersburg, Ohio 44654

(A) Covered by the county blanket bond.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Index of Funds

For the Years Ended December 31, 2005 and 2004

GOVERNMENTAL FUND TYPE:

General Fund Type:

District Health Fund

Special Revenue Fund Type:

Private Water Fund

Women, Infants and Children Fund

Solid Waste Fund

Sewage Program

Home Care Fund

Clinic Fund

RV Park/Camp/Marina Fund

Swimming Pool Fund

Manufacturing Home Park Fund

Hospice Fund

Child and Family Health Service Fund

Public Health Infrastructure

Hospice Endowment Fund

Addiction Recovery Fund

Safe Communities Fund - Holmes

Immunization Grant Fund

Food Service Fund

Safe Communities Fund - Wayne

Special Services Fund

Family Planning Grant Fund

Help Me Grow Grant Fund

Appalachian Tobacco Grand Fund

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

January 20, 2006

District Board of Health
Holmes County
931 Wooster Road
Millersburg, Ohio 44654

To the Board of Directors:

As you are aware, the Independent Auditors' Report provided on your financial Statements must be modified due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While the Auditor of State (AOS) does not 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 financials in accordance with GAAP. Our report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply amounts presented on the statements are misstated under the non-GAAP basis you follow. The report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format that is permitted by the AOS.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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We're Ready For Your Future

January 20, 2006

To the District Board of Health, Holmes County
Millersburg, OH 44654

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the District Board of Health, Holmes County (the "District"), as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. 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 audits.

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. 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 opinion.

As described in Note 1, the District, prepared these financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although the effects of the variances between the regulatory accounting practices and GAAP cannot be reasonably determined, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the paragraph to the statements if they do not conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has not elected to reformat its statements. Since the District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the basis permitted by the Auditor of State. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis can be found in the second following paragraph.

1

In our opinion, because of the effects to the matter discussed in the preceding two paragraphs, the financial statements for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, or their changes in financial position for the above mentioned year ends.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District Board of Health, Holmes County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended, on the basis of accounting described in Note 1.

The aforementioned revision to the generally accepted accounting principles also requires the District to include Management Discussion and Analysis for the years ended December 31, 2005 and 2004. The district has not presented Management's Discussion and Analysis, which has been determined necessary by the accounting principles generally accepted in the United States of America, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2006 on our consideration of the District Board of Health, Holmes County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. While we did not opine on the internal control over the financial reporting or compliance, that report describes the scope of our testing over the aforementioned areas and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Pnc.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY*Combined Statement of Cash Receipts, Disbursements,
and Changes in Fund Cash Balances***All Governmental Fund Types**

For the Year Ended December 31, 2005

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
<u>RECEIPTS</u>			
Subsidies	\$ 204,342	\$ 79,500	\$ 283,842
Contracts	0	225,464	225,464
Grants	0	479,649	479,649
Fees, Licenses and Permits	68,689	1,445,272	1,513,961
Interest	0	22,631	22,631
Reimbursed Costs	0	1,936	1,936
Donations	0	61,501	61,501
Other	31,063	2,782	33,845
TOTAL RECEIPTS	304,094	2,318,735	2,622,829
<u>DISBURSEMENTS</u>			
Personnel	187,915	1,531,458	1,719,373
Travel/Conference	8,480	44,052	52,532
Supplies	17,067	125,612	142,679
Hospice	0	351,265	351,265
Other Expenses	49,012	117,311	166,323
Equipment	14,012	37,853	51,865
Office Space Costs	47,706	6,274	53,980
TOTAL DISBURSEMENTS	324,192	2,213,825	2,538,017
EXCESS OF RECEIPTS (UNDER) DISBURSEMENTS	(20,098)	104,910	84,812
OTHER FINANCING SOURCES (USES)			
Transfers-In	0	15,290	15,290
Transfers-Out	(15,290)	0	(15,290)
TOTAL OTHER FINANCING SOURCES (USES)	(15,290)	15,290	0
EXCESS OF RECEIPTS AND OTHER SOURCES (UNDER) DISBURSEMENTS AND OTHER USES	(35,388)	120,200	84,812
FUND CASH BALANCES, JANUARY 1, 2005	56,015	837,421	893,436
FUND CASH BALANCES, DECEMBER 31, 2005	\$ 20,627	\$ 957,621	\$ 978,248

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

*Combined Statement of Cash Receipts, Disbursements,
and Changes in Fund Cash Balances*

All Governmental Fund Types

For the Year Ended December 31, 2004

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
<u>RECEIPTS</u>			
Subsidies	\$ 148,755	\$ 79,500	\$ 228,255
Contracts	4,953	315,209	320,162
Grants	1,250	320,604	321,854
Fees, Licenses and Permits	65,834	1,036,908	1,102,742
Interest	0	18,453	18,453
Reimbursed Costs	5,589	396	5,985
Donations	0	34,537	34,537
Other	82,186	38,248	120,434
TOTAL RECEIPTS	308,567	1,843,855	2,152,422
<u>DISBURSEMENTS</u>			
Personnel	170,274	1,405,796	1,576,070
Travel/Conference	11,038	44,925	55,963
Supplies	15,412	79,847	95,259
Hospice	0	153,903	153,903
Other Expenses	65,430	107,445	172,875
Equipment	6,578	20,896	27,474
Office Space Costs	45,866	2,456	48,322
TOTAL DISBURSEMENTS	314,598	1,815,268	2,129,866
EXCESS OF RECEIPTS (UNDER) DISBURSEMENTS	(6,031)	28,587	22,556
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers-In	0	50,008	50,008
Transfers-Out	0	(50,008)	(50,008)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0
EXCESS OF RECEIPTS AND OTHER SOURCES (UNDER) DISBURSEMENTS AND OTHER USES	(6,031)	28,587	22,556
FUND CASH BALANCES, JANUARY 1, 2004	62,046	808,834	870,880
FUND CASH BALANCES, DECEMBER 31, 2004	\$ 56,015	\$ 837,421	\$ 893,436

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY
Combined Statement of Receipts - Budget and Actual
 For the Year Ended December 31, 2005

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 399,205	\$ 304,094	\$ (95,111)
Special Revenue	<u>4,117,725</u>	<u>2,334,025</u>	<u>(1,783,700)</u>
Total (Memorandum Only)	<u>\$ 4,516,930</u>	<u>\$ 2,638,119</u>	<u>\$ (1,878,811)</u>

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY
Combined Statement of Receipts - Budget and Actual
For the Year Ended December 31, 2004

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$ 400,982	\$ 308,567	\$ (92,415)
Special Revenue	<u>2,233,452</u>	<u>1,893,863</u>	<u>(339,589)</u>
Total (Memorandum Only)	<u><u>\$ 2,634,434</u></u>	<u><u>\$ 2,202,430</u></u>	<u><u>\$ (432,004)</u></u>

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority
For the Year Ended December 31, 2005

<u>Fund Types/Fund</u>	<u>Prior Year Carryover Appropriations</u>	<u>2005 Appropriations</u>	<u>Total</u>	<u>Actual 2005 Disbursements</u>	<u>Encumbrances Outstanding at 12-31-05</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General	\$ 0	\$ 394,580	\$ 394,580	\$ 339,482	\$ 0	\$ 339,482	\$ 55,098
Special Revenue	0	3,253,433	3,253,433	2,213,825	0	2,213,825	1,039,608
Total (Memorandum Only)	<u>\$ 0</u>	<u>\$ 3,648,013</u>	<u>\$ 3,648,013</u>	<u>\$ 2,553,307</u>	<u>\$ 0</u>	<u>\$ 2,553,307</u>	<u>\$ 1,094,706</u>

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority
For the Year Ended December 31, 2004

<u>Fund Types/Fund</u>	<u>Prior Year Carryover Appropriations</u>	<u>2004 Appropriations</u>	<u>Total</u>	<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding at 12-31-04</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental							
General	\$ 0	\$ 402,865	\$ 402,865	\$ 314,598	\$ 0	\$ 314,598	\$ 88,267
Special Revenue	0	2,023,960	2,023,960	1,865,276	0	1,865,276	158,684
Total (Memorandum Only)	<u>\$ 0</u>	<u>\$ 2,426,825</u>	<u>\$ 2,426,825</u>	<u>\$ 2,179,874</u>	<u>\$ 0</u>	<u>\$ 2,179,874</u>	<u>\$ 246,951</u>

See accompanying notes to the financial statements.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Notes to the Financial Statements
December 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The District Board of Health is a body politic and corporate established under Section 3709.01, Revised Code, for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under the direction of a five-member appointed board and appointed health commissioner. Services provided by the District include referrals to Bureau of Crippled Children Services Program, communicable disease investigations, immunization clinics, tuberculosis screening, home visits, various licenses and permits, including inspections, birth and death certificates and related services.

As health districts are structured in Ohio, the County Auditor and County Treasurer serve, respectively, as fiscal officer and custodian of funds for the District. As fiscal officer, the County Auditor certifies the availability of cash and appropriations prior to the processing of payments. As the custodian of public funds, the County Treasurer invests District monies held on deposit in the County Treasury.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

The District prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting, consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

C. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Notes to the Financial Statements
December 31, 2005 and 2004

NOTE 1 - (continued)

Governmental Fund Types:

General Fund - The District Health Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds - To account for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

Hospice Fund
Hospice Endowment Fund

D. 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 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 canceled, and reappropriated in the subsequent year.

E. Property, Plant, and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as disbursements. Depreciation is not recorded for these fixed assets.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Notes to the Financial Statements
December 31, 2005 and 2004

NOTE 1 - (continued)

F. Accumulated Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

G. Total Columns of Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - EQUITY IN POOLED CASH

The Holmes County Auditor serves as fiscal agent for the District and the investment of county funds, including District funds, is determined by the Holmes County Treasurer. By law, investment control over investments is handled by the County Treasurer.

NOTE 3 - RISK MANAGEMENT

The Board of County Commissioners of Holmes County and the District Board of Health maintain comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. The District also provides health and life insurance to its employees through private carriers.

NOTE 4 - RETIREMENT COMMITMENTS

The employees of the District were covered by the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The State of Ohio accounts for the activities of the retirement system, and the amount of that fund is not reflected in the accompanying financial statements. For each of the years ended December 31, 2005 and 2004, District employees contributed 8.5 percent of their gross wages. The District matched this with a contribution equal to 13.55 percent of employees' gross wages. The District has paid all contributions required through December 31, 2005 and 2004.

DISTRICT BOARD OF HEALTH, HOLMES COUNTY

Notes to the Financial Statements
December 31, 2005 and 2004

NOTE 5 - LEASES

The District has a lease agreement for a copier. The following is a schedule of the future minimum payments required as of December 31, 2005

<u>Year</u>	<u>Obligation</u>
2006	\$ 2,082
2007	<u>2,082</u>
	<u>\$ 4,164</u>

These expenditures are reflected as program expenditures on a cash basis.

NOTE 6 - 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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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We're Ready For Your Future

January 20, 2006

Board of Directors
District Board of Health, Holmes County
Millersburg, Ohio 44654

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of District Board of Health, Holmes County as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated January 20, 2006, which includes an adverse opinion for not reporting under generally accepted accounting principles.

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 District Board of Health, Holmes County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of District Board of Health, Holmes County in a separate letter dated January 20, 2006.

COMPLIANCE

As part of obtaining reasonable assurance about whether District Board of Health, Holmes County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 20, 2006.

This report is intended solely for the information and use of the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, P.C.



**Auditor of State
Betty Montgomery**

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HOLMES COUNTY GENERAL HEALTH DISTRICT

HOLMES 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 06, 2006**