



**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Delaware General Health District  
Delaware County  
1 West Winter Street  
Delaware, Ohio 43015

To the Members of the Board:

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

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

**Mary Taylor, CPA**  
Auditor of State

July 8, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Delaware General Health District  
Delaware County  
1 West Winter Street  
Delaware, Ohio 43015

To the Members of the Board:

We have audited the accompanying financial statement of Delaware General Health District, Delaware County, Ohio (the District) as of and for the year ended December 31, 2006. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statement presents, 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 require us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2006 does 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, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Delaware General Health District, Delaware County, Ohio as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the District's financial statements. The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards expenditure schedule. The schedule is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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 financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

July 8, 2007



**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|   | <u>Governmental Fund Types</u> |                            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |   |
| Local Taxes   | \$2,788,765                    | \$0                        | \$2,788,765                             |
| Intergovernmental   | 407,459                        | 1,138,825                  | 1,546,284                               |
| Subdivisions  | 250,000                        | 0                          | 250,000                                 |
| Inspection Fees   | 132,213                        | 0                          | 132,213                                 |
| Permits   | 494,965                        | 9,659                      | 504,624                                 |
| Other fees  | 149,381                        | 14,005                     | 163,386                                 |
| Licenses  | 0                              | 318,150                    | 318,150                                 |
| Contractual Services  | 20,252                         | 0                          | 20,252                                  |
| Other receipts  | 258,478                        | 59,914                     | 318,392                                 |
| <b>Total Cash Receipts</b>  | <u>4,501,513</u>               | <u>1,540,553</u>           | <u>6,042,066</u>                        |
| <b>Cash Disbursements:</b>  |                                |                            |   |
| Salaries  | 1,982,222                      | 968,795                    | 2,951,017                               |
| Benefits  | 708,014                        | 300,764                    | 1,008,778                               |
| Supplies  | 135,277                        | 114,386                    | 249,663                                 |
| Remittances to State  | 0                              | 14,256                     | 14,256                                  |
| Equipment   | 56,848                         | 6,185                      | 63,033                                  |
| Contracts - Repair  | 23,699                         | 1,000                      | 24,699                                  |
| Contracts - Services  | 194,344                        | 73,428                     | 267,772                                 |
| Rentals   | 41,095                         | 9,125                      | 50,220                                  |
| Travel  | 34,032                         | 1,012                      | 35,044                                  |
| Program Expenses  | 37,973                         | 54,994                     | 92,967                                  |
| Utilities and rentals   | 86,034                         | 0                          | 86,034                                  |
| Advertising and printing  | 71,452                         | 53,662                     | 125,114                                 |
| Worker's compensation   | 26,322                         | 2,851                      | 29,173                                  |
| Other   | 174,708                        | 17,985                     | 192,693                                 |
| Debt Service:   |                                |                            |   |
| Redemption of Principal   | 70,395                         | 0                          | 70,395                                  |
| Interest and Fiscal Charges   | 31,810                         | 0                          | 31,810                                  |
| <b>Total Cash Disbursements</b>   | <u>3,674,225</u>               | <u>1,618,443</u>           | <u>5,292,668</u>                        |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>  | <u>827,288</u>                 | <u>(77,890)</u>            | <u>749,398</u>                          |
| <b>Other Financing Receipts/(Disbursements):</b>  |                                |                            |   |
| Transfers-In  | 10,000                         | 41,160                     | 51,160                                  |
| Transfers-Out   | (41,160)                       | (10,000)                   | (51,160)                                |
| <b>Total Other Financing Receipts/(Disbursements)</b>   | <u>(31,160)</u>                | <u>31,160</u>              | <u>0</u>                                |
| <b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b> | <u>796,128</u>                 | <u>(46,730)</u>            | <u>749,398</u>                          |
| <b>Fund Cash Balances, January 1</b>  | <u>1,621,239</u>               | <u>711,288</u>             | <u>2,332,527</u>                        |
| <b>Fund Cash Balances, December 31</b>  | <u><u>\$2,417,367</u></u>      | <u><u>\$664,558</u></u>    | <u><u>\$3,081,925</u></u>               |
| <b>Reserves for Encumbrances, December 31</b>   | <u><u>\$28,507</u></u>         | <u><u>\$14,485</u></u>     | <u><u>\$42,992</u></u>                  |

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

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**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Delaware General Health District, Delaware County, Ohio (the District) is a combined general health district as defined by section 3709.07 of the Ohio Revised Code. It was established as a contractual union of the Delaware City Health District and Powell City Health District with the Delaware County Health District. The District is directed by a nine-member Board under section 3709.02 and section 3709.07 of the Ohio Revised Code, and is responsible for the administration of all health programs established by the Ohio Revised Code, Administrative Codes, and any programs deemed necessary by the District. The District's services include communicable disease investigations, review of health programs, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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

The District's management believes this financial statement presents all activities for which the District is financially accountable.

**B. Basis of Accounting**

This financial statement follows 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.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

**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 object 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. 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 2006 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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 statement does not include a liability for unpaid leave.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2006  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2006 follows:

| 2006 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$4,466,675          | 4,511,513          | \$44,838 |
| Special Revenue                   | 1,554,185            | 1,581,713          | 27,528   |
| Total                             | \$6,020,860          | \$6,093,226        | \$72,366 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$4,166,156                | \$3,743,892               | \$422,264 |
| Special Revenue                                       | 1,786,686                  | 1,642,928                 | 143,758   |
| Total   | \$5,952,842                | \$5,386,820               | \$566,022 |

**3. 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.

The County Commissioners serve as a special taxing authority for a special levy outside the ten mill limitation to provide the District with sufficient funds for health programs. The levy generated \$2,788,765 in 2006. The financial statements present these amounts as intergovernmental receipts.

**4. RETIREMENT SYSTEM**

The District's full-time 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 2006, OPERS members required contribution was 9 percent of their gross salaries. District employees contributed 2.5 percent of their required 9 percent contribution, while the District contributed the remaining 6.5 percent on their behalf. The District contributes an amount equal to 13.7 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2006  
(Continued)**

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

|                          | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| General Obligation Notes | \$1,009,326      | 5.86%                |

The general obligation notes were issued to finance the purchase of an office building in downtown Delaware in 2003. The building houses the District offices, a local bank and law offices. The initial rate of interest is 3% for the first 3 years. For the next three years the rate will increase/decrease to the prime + ½%, at the date of assessment, for the years four through six, and adjust subsequently every three years thereafter. The District makes monthly installments through January 1, 2018. The notes are secured by the District's tax authority.

Amortization of the above debt, including interest of 5.86% annually, is scheduled as follows:

| Year ending December 31: |                  |
|--------------------------|------------------|
| 2007                     | 102,204          |
| 2008                     | 102,204          |
| 2009                     | 102,204          |
| 2010                     | 102,204          |
| 201                      | 102,204          |
| 2012-2018                | <u>1,000,319</u> |
| Total                    | \$1,511,339      |

The annual interest rate is subject to change every three years throughout the life of the note. Consequently, the payments could vary from those demonstrated in the above amortization schedule.

**7. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refund of any disallowed costs. Management cannot presently determine any amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br>Program Title             | Pass Through<br>Entity<br>Number   | Federal<br>CFDA<br>Number | Disbursements           |
|--|--|---------------------------|-------------------------|
| <b><u>US DEPARTMENT OF AGRICULTURE</u></b>   |  |                           |                         |
| <i>Passed Through Ohio Department of Health:</i>                                   |  |                           |                         |
| Special Supplemental Nutrition Program for<br>Woment, Infants, and Children (WIC)  | 21-1-001-1-CL-06<br>21-1-001-1-CL-07                                       | 10.557                    | \$285,766<br>68,503     |
| Total U.S. Depatment of Ariculture   |  |                           | <u>354,269</u>          |
| <b><u>US DEPARTMENT OF TRANSPORTATION</u></b>                                      |  |                           |                         |
| <i>Passed Through Ohio Department of Public Safety:</i>                            |  |                           |                         |
| State and Community Highway Safety   | SC-2005-21-00-00-03028<br>SC-2006-21-00-00-00529<br>SC-2007-21-00-00-00470 | 20.600                    | 51<br>30,522<br>7,060   |
| Total US Department of Transportation  |  |                           | <u>37,633</u>           |
| <b><u>THE OHIO ENVIRONMENTAL PROTECTION AGENCY</u></b>                             |  |                           |                         |
| Nonpoint Source Implementation Grants  | N/A  | 66.460                    | 35,633                  |
| <b><u>US DEPARTMENT OF EDUCATION</u></b>   |  |                           |                         |
| <i>Passed Through Ohio Department of Public Safety:</i>                            |  |                           |                         |
| Special Education Grant for Infants and Families<br>with Disabilites               | 21-1-001-1-EG-06<br>21-1-001-1-EG-07                                       | 84.181                    | 61,438<br>40,002        |
| Total US Department of Education   |  |                           | <u>101,440</u>          |
| <b><u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>                           |  |                           |                         |
| <i>Passed Through Ohio Department of Health:</i>                                   |  |                           |                         |
| Center for Disease Control and Prevention<br>Investigation and Techical Assistance | 21-1-001-2-BI-06<br>21-1-001-2-BI-07                                       | 93.283                    | 110,740<br>40,265       |
| Immunization Grant   | 21-1-001-2-AZ-05<br>21-1-001-2-AZ-06                                       | 93.268                    | 3,547<br>22,311         |
| Preventive Health and Human Services Block Grant                                   | 21-1-001-2-ED-05<br>21-1-001-2-ED-06                                       | 93.991                    | 3,011<br>57,558         |
| Maternal and Child Health Services Block Grant                                     | 21-1-001-1-MC-06<br>21-1-001-1-MC-07                                       | 93.994                    | 32,379<br>28,404        |
| Total US Department of Health and Human Services                                   |  |                           | <u>298,215</u>          |
| <b>Total Federal Awards Expenditures</b>   |  |                           | <u><u>\$827,190</u></u> |

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

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





# Mary Taylor, CPA

Auditor of State

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

Delaware General Health District  
Delaware County  
1 West Winter Street  
Delaware, Ohio 43015

To the Members of the Board:

We have audited the financial statement of the Delaware General Health District, Delaware County, Ohio (the District) as of and for the year ended December 31, 2006, and have issued our report thereon dated July 8, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

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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 significant deficiencies that and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness.

We noted certain internal control matters that we reported to the District's management in a separate letter dated July 8, 2007.

### **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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated July 8, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

July 8, 2007



# Mary Taylor, CPA

## Auditor of State

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

Delaware General Health District  
Delaware County  
1 West Winter Street  
Delaware, Ohio 43015

To the Members of the Board:

#### Compliance

We have audited the compliance of Delaware General Health District, Delaware 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 apply to each of its major federal programs for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Delaware General Health District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the District's management dated July 8, 2007, we noted an other matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

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

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Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

July 8, 2007

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | Yes  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                              | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                             | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – CFDA#10.557<br><br>Special Education Grant for Infants and Families with Disabilities-CFDA#84.181 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)

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

FINDING NUMBER 2006-001

**Non-Compliance Citation and Significant Deficiency**

**Ohio Revised Code § 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contact made without such certificate shall be void and no warrant shall be issued in payment of an amount due thereon.

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

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Commissioners can authorize the drawing of a warrant for the payment of the amount due. The Commissioners have thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twelve percent of the transactions tested were not properly certified at the time the commitment was incurred and none of the exceptions provided for were used. Failure to properly certify the availability of funds can result in overspending funds and negative fund cash balances.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|--|

**FINDING NUMBER 2006-001 (Continued)**

**Non-Compliance Citation and Significant Deficiency (Continued)**

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

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

**Official's Response:**

This has been a finding over the past few years. We have tried to correct this in the past based on recommendations from other auditors. We currently using the method of the "Then and Now" certificate in 2007.

**FINDING NUMBER 2006-002**

**Significant Deficiency and Material Weakness**

**Financial Statements**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit reclassifications were made to the December 31, 2006 financial statements:

1. In the Special Revenue Fund \$1,260,902 of program disbursements, \$38,348 of other disbursements, and \$9,470 of remittance disbursements were reclassified to disbursement line items that properly reflected the purpose of the disbursement. For instance, \$764,032 of salary disbursements were improperly reported as program disbursements.
2. In the General Fund \$571,074 of other disbursements were reclassified to disbursement line items that properly reflect the purpose of the disbursement. For instance, \$326,153 of employee benefit disbursements were improperly reported as other disbursements.
3. In the Special Revenue Fund \$10,000 of program disbursements were reclassified to transfers out to properly reflect a transfer made from the Immunization Grant Fund, a special revenue fund, to the General Fund during the year.
4. On the District's draft financial statements there were line items called non-revenue other reimbursements and non-revenue other receipts. In the General Fund \$74,880 of non-revenue other reimbursements and \$76,669 of non-revenue other receipts were reclassified to other receipts and intergovernmental receipts. In the Special Revenue Fund \$14 was reclassified from non-revenue other receipts to other receipts.

**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|--|

**FINDING NUMBER 2006-002 (Continued)**

**Significant Deficiency and Material Weakness (Continued)**

**Financial Statements (Continued)**

5. In the Special Revenue Fund \$299,856 of other receipts and \$17,244 of other fees receipts was reclassified to licenses receipts since these receipts were derived from food service, trailer park, and pool licenses sold by the District.
6. In the General Fund \$370,373 of local taxes receipts were reclassified to intergovernmental receipts for rollback and homestead, personal property tax exemption, public utility property tax reimbursement, and real estate surplus receipts collected by the District during the year.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the District and were not posted to the December 31, 2006 financial statements.

1. In the Special Revenue Fund \$1,386 was posted as reserve for encumbrances to account for expenditures that should have been encumbered at year end due to the expenditures being incurred by the District before December 31, 2006.
2. In the Special Revenue Fund \$7,421 of other receipts were reclassified to the other fees receipts line item for fees collected in the Women's Health, Tobacco, and Family and Child Funds.
3. In the General Fund \$42,800 of inspection receipts was reclassified to the other fees receipts for receipts collected from a split plan review.
4. In the General Fund \$8,090 of receipt collected from participants of training sessions provided by the District were reclassified from other fees to contractual services receipts.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the fiscal officer and governing board, to identify and correct errors and omissions.

**Official's Response:**

Our reporting has been based on the standards that have been used by the County auditor in the past. We were made aware of the changes in some of the reporting in 2007 and we will alter our statements accordingly for the next audit.



**DELAWARE GENERAL HEALTH DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2006**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2005-001       | The District had a Finding for Recovery for District Owned Cell Phones with personal charges above the plan minutes incurred by employees | Yes              | N/A  |





**Mary Taylor, CPA**  
Auditor of State

**GENERAL HEALTH DISTRICT**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 13, 2007**