



**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

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# Mary Taylor, CPA

Auditor of State

District Board of Health  
Morrow County  
619 West Marion Road  
Mt. Gilead, Ohio 43338

Members of the Board:

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

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

**Mary Taylor, CPA**  
Auditor of State

July 20, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health  
Morrow County  
619 West Marion Road  
Mt. Gilead, Ohio 43338

Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morrow County, Ohio (the District) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006, and 2005, 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, 2006, and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District Board of Health, Morrow County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 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.



**Mary Taylor, CPA**  
Auditor of State

July 20, 2007



DISTRICT BOARD OF HEALTH  
MORROW 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 (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 548,378	\$ -	\$ 548,378
Federal awards	35,616	64,759	100,375
Intergovernmental	150,954	42,229	193,183
Inspection fees	900	-	900
Permits	156,928	17,234	174,162
Other fees	78,144	56,138	134,282
Licenses	-	4,085	4,085
Fines	140	-	140
Contractual services	221,155	-	221,155
Other receipts	2,643	1,386	4,029
<b>Total Cash Receipts</b>	<b>1,194,858</b>	<b>185,831</b>	<b>1,380,689</b>
<b>Cash Disbursements:</b>			
Salaries	616,116	71,649	687,765
Public employee's retirement	80,867	9,816	90,683
Worker's compensation	11,144	1,155	12,299
Medicare	8,810	1,010	9,820
Insurance	62,557	-	62,557
Supplies	40,983	640	41,623
Remittances to State	12,909	12,629	25,538
Contracts - Repair	3,954	-	3,954
Contracts - Services	6,399	2,831	9,230
Rentals	4,451	-	4,451
Travel	17,274	3,821	21,095
Project Fund Expenditures	-	110,460	110,460
Advertising and printing	5,717	556	6,273
Other	130,361	2,244	132,605
<b>Total Cash Disbursements</b>	<b>1,001,542</b>	<b>216,811</b>	<b>1,218,353</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>193,316</b>	<b>(30,980)</b>	<b>162,336</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	-	16,500	16,500
Transfers-Out	(16,500)	-	(16,500)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(16,500)</b>	<b>16,500</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>176,816</b>	<b>(14,480)</b>	<b>162,336</b>
<b>Fund Cash Balances, January 1</b>	<b>445,890</b>	<b>218,474</b>	<b>664,364</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 622,706</b>	<b>\$ 203,994</b>	<b>\$ 826,700</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 37,956</b>	<b>\$ 6,395</b>	<b>\$ 44,351</b>

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

DISTRICT BOARD OF HEALTH  
MORROW COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 555,519	\$ -	\$ 555,519
Federal awards	9,134	105,333	114,467
Intergovernmental	134,773	92,529	227,302
Inspection fees	900	-	900
Permits	123,488	20,553	144,041
Other fees	80,560	74,564	155,124
Licenses	-	4,385	4,385
Fines	591	-	591
Contractual services	291,704	-	291,704
Other receipts	4,263	1,137	5,400
<b>Total Cash Receipts</b>	<b>1,200,932</b>	<b>298,501</b>	<b>1,499,433</b>
<b>Cash Disbursements:</b>			
Salaries	660,951	68,196	729,147
Public employee's retirement	89,400	9,241	98,641
Worker's compensation	9,198	857	10,055
Medicare	9,438	964	10,402
Insurance	88,160	-	88,160
Supplies	48,753	1,919	50,672
Remittances to State	13,625	12,937	26,562
Equipment	3,947	750	4,697
Contracts - Repair	4,770	-	4,770
Contracts - Services	43,024	3,018	46,042
Rentals	4,632	-	4,632
Travel	16,909	5,397	22,306
Project Fund Expenditures	-	146,378	146,378
Advertising and printing	11,434	1,457	12,891
Other	148,992	22,947	171,939
<b>Total Cash Disbursements</b>	<b>1,153,233</b>	<b>274,061</b>	<b>1,427,294</b>
<b>Total Receipts Over Disbursements</b>	<b>47,699</b>	<b>24,440</b>	<b>72,139</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	-	4,000	4,000
Transfers-Out	(4,000)	-	(4,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(4,000)</b>	<b>4,000</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<b>43,699</b>	<b>28,440</b>	<b>72,139</b>
<b>Fund Cash Balances, January 1</b>	<b>402,191</b>	<b>190,034</b>	<b>592,225</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 445,890</b>	<b>\$ 218,474</b>	<b>\$ 664,364</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 32,618</b>	<b>\$ 34,329</b>	<b>\$ 66,947</b>

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

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Morrow County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, tuberculosis screenings, home visits, public health nursing services, issuance of health-related licenses and permits, and issuance of birth certificates and death certificates.

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

**B. Accounting Basis**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**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 required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Food Service Fund - This fund receives revenue from food service operations in the form of fees and licenses to maintain food service establishments. These monies are used by the District to cover staff expenses and supplies. In addition, a portion of license fees collected is remitted to the State of Ohio.

Public Health Infrastructure Grant Fund - This federal grant, which is disbursed through the Ohio Department of Health, is used to develop effective plans and resources at local and regional levels to address bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

**E. Budgetary Process**

The Ohio Revised Code requires the District to budget each fund annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The 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 and 2005 budgetary activity appears in Note 2.

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

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

**G. Accumulated Leave**

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

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006, and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,199,471	\$1,194,858	(\$4,613)
Special Revenue	309,889	202,331	(107,558)
Total	\$1,509,360	\$1,397,189	(\$112,171)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,309,088	\$1,055,998	\$253,090
Special Revenue	371,804	223,206	148,598
Total	\$1,680,892	\$1,279,204	\$401,688

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,105,368	\$1,200,932	\$95,564
Special Revenue	278,635	302,501	23,866
Total	\$1,384,003	\$1,503,433	\$119,430

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,273,987	\$1,189,851	\$84,136
Special Revenue	365,746	308,390	57,356
Total	\$1,639,733	\$1,498,241	\$141,492

**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.

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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 these plans' benefits which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5% respectively, of their gross salaries and the District contributed an amount equaling 13.7% and 13.55% respectively of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

**5. RISK MANAGEMENT**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT (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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$7,700.

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

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

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

<u>Contributions to PEP</u>	
2004	\$3,418
2005	\$3,390
2006	\$4,342

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**6. 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.





# 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*

District Board of Health  
Morrow County  
619 West Marion Road  
Mt. Gilead, Ohio 43338

Members of the Board:

We have audited the financial statements of the District Board of Health, Morrow County, Ohio (the District) as of and for the years ended December 31, 2006, and 2005, and have issued our report thereon dated July 20, 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.

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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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated July 20, 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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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, and the Board. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 20, 2007

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Non-Compliance and Significant Deficiency**

**Ohio Revised Code § 9.38** states that a person who is a public official shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Forty-eight percent of the tested permit receipts and other fees were not deposited with the County Treasurer until two to four days after initial collection of the receipts by the District when the total daily collections exceeded \$1,000.

The District should deposit receipts with the County Treasurer the next business day or the Board should develop and implement a policy as outlined in the Ohio Revised Code.

**Officials' Response:**

Fiscal Manager was following board of health approved fiscal policy which stated money would be deposited any day the cash receipts were over \$1,000; otherwise, a minimum of twice per week. This policy was followed and had been acceptable in past audits. In the past week or so, we have begun doing daily receipts even if the total is not \$1,000. This is a difficult practice due to minimal staffing and no financial backup to the Fiscal Manager. Person being trained now to complete pay-ins when Fiscal Manager is out does not work with financial accounts and there will be potential for more error. All cash and checks have always been secured in a locked box, in a locked cabinet within a locked office within a locked & key-coded department within a locked building.

**FINDING NUMBER 2006-002**

**Significant Deficiency and Material Weakness**

**Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Manager 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 adjustments and reclassifications were made to the December 31, 2006 and December 31, 2005 financial statements:

1. In the General Fund two reclassifications of \$159,191 and \$229,384 in 2006 and 2005, respectfully, were made from reimbursement receipts to contractual service receipts to properly account for contracted services provided through grants received by the District.
2. In the General Fund rollback and homestead receipts of \$30,773 and \$32,783 in 2006 and 2005, respectively, were reclassified from taxes to intergovernmental receipts.

**DISTRICT BOARD OF HEALTH  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002 (Continued)**

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

**Financial Reporting (Continued)**

3. The General Fund tax receipts and other disbursements were adjusted for \$16,633 and \$15,249 in 2006 and 2005, respectively, to properly present tax receipts at the gross amount received with a corresponding disbursement to the County for real estate assessment fees.
4. In the Special Revenue Funds, Solid Waste Revolving Loan Fund receipts of \$3,930 and \$21,500 from participating governments in 2006 and 2005, respectively, were reclassified from other receipts to intergovernmental 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 manager and governing board, to identify and correct errors and omissions.

**Officials' Response:**

1. **Adjustments to reclassify reimbursements to contract services.** Currently contract services with regard to revenue was always monies received from our School Contracts. The state auditor has suggested we include the Help Me Grow reimbursement from Morrow County Job & Family Services under this category. In the past we have included the HMG reimbursements under "Reimbursements – Interagency." This will be reported as requested.
2. **Adjustments to reclassify homestead and rollback receipts from taxes to intergovernmental receipts.** This has been difficult to determine because some warrants received from the county auditor's office have not been clearly marked. We will work more closely with that office to determine what is intergovernmental and what is related directly to levy taxes and report it correctly.
3. **Adjustments to present tax receipts at the gross amount, with a corresponding expenditure for County Auditor, County Treasurer, and real estate assessment fees.** This was discussed with the county auditor after the previous audit. They were asked if they could give us the warrant at the gross amount and let us give back to them through the warrant process the corresponding fees. This was not acceptable. I am working on a way through our financial software to show this. I should be able to do something, but my reports will never match the auditor's reports like they have in the past because the county auditor does not show these expenditures either on any report I receive from them. Once I start showing these expenditures on the health department reports, I will have to make a notation that the amount we are off corresponds to these expenditures that I am required to show for audit purposes. I will go back to the beginning of 2007 and begin this process for the next audit.
4. **Adjustments to reclassify Solid Waste Revolving Loan Fund receipts from other receipts to intergovernmental receipts.** This has been done. – It was just a matter of letting county auditor know it was to be renamed.



**Mary Taylor, CPA**  
Auditor of State

**DISTRICT BOARD OF HEALTH**

**MORROW 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  
OCTOBER 2, 2007**