GENERAL HEALTH DISTRICT
ALLEN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT
ALLEN COUNTY

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Mary Taylor, CPA
Auditor of State

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

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 statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2007

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INDEPENDENT ACCOUNTANTS' REPORT

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

We have audited the accompanying financial statements of the General Health District, Allen County, (the District), as of and for the year ended December 31, 2006. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2006 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2006. 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 27, 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 schedule of federal awards expenditures. The schedule is not a required part of the financial statements. We subjected the schedule of federal awards expenditures schedule to the auditing procedures applied in the audit of the 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

Mary Taylor, CPA
Auditor of State

July 27, 2007

GENERAL HEALTH DISTRICT
ALLEN 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

	Governmental Fund Types		
	General	**Special Revenue**	**Totals (Memorandum Only)**
Cash Receipts:			
Federal awards		$1,241,017	$1,241,017
State Grants and Subsidies	$33,638	184,718	218,356
Subdivision Revenue	757,190		757,190
Permits		56,329	56,329
Fees	915,201	159,392	1,074,593
Licenses	29,260	254,765	284,025
Contractual services	135,255	179,105	314,360
Other receipts	16,384	10,847	27,231
Total Cash Receipts	1,886,928	2,086,173	3,973,101
Cash Disbursements:			
Salaries	842,429	1,343,634	2,186,063
Supplies	71,345	142,319	213,664
Remittances to State	157,857	111,718	269,575
Equipment	50,360	47,966	98,326
Contracts - Repair	2,716	1,518	4,234
Contracts - Services	95,669	57,727	153,396
Travel	12,427	30,221	42,648
Utilities and rentals	101,941	80,579	182,520
Medicare Tax	9,717	17,114	26,831
Health and Life Insurance	1,970	196,993	198,963
Public employee's retirement	113,791	181,290	295,081
Worker's compensation	15,274	15,925	31,199
Other	55,003	52,959	107,962
Total Disbursements	1,530,499	2,279,963	3,810,462
Total Receipts Over/(Under) Disbursements	356,429	(193,790)	162,639
Other Financing Disbursements:			
Transfers-Out	(156,000)		(156,000)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	200,429	(193,790)	6,639
Fund Cash Balances, January 1	41,171	230,047	271,218
Fund Cash Balances, December 31	$241,600	$36,257	$277,857
Reserves for Encumbrances, December 31	$24,679	$24,416	$49,095

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

GENERAL HEALTH DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Internal Service
Cash Disbursements:	
Claims and Premium Expenses	$151,565
Total Disbursements	151,565
Other Financing Receipts/(Disbursements):	
Transfers-In	156,000
Total Other Financing Receipts/(Disbursements)	156,000
Excess of Other Financing Receipts Over/(Under) Cash Disbursements	4,435
Fund Cash Balances, January 1	16,627
Fund Cash Balances, December 31	**$21,062**

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

GENERAL HEALTH DISTRICT
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Allen County, (the District) as a body corporate and politic. A seven-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

The District maintains direct fiscal control over the funds deposited with the Allen County Treasurer. The Allen county Auditor serves as fiscal agent.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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 is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

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 Fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Proprietary Fund

Internal Service Fund

This fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis. The District had the following significant Internal Service Fund:

Health Benefits Fund – This fund provides funds for the payment of insurance premiums.

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. 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 canceled, and reappropriated in the subsequent year. Management has reported encumbrances in the accompanying budgetary presentations for material items that should have been encumbered.

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 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.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2006 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$1,976,546	$1,886,928	($89,618)
Special Revenue	2,132,955	2,086,173	(46,782)
Internal Service	0	156,000	156,000
Total	$4,109,501	$4,129,101	$19,600

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$3,330,934	$1,711,178	$1,619,756
Special Revenue	514,208	2,304,379	(1,790,171)
Internal Service	395,000	151,565	243,435
Total	$4,240,142	$4,167,122	$73,020

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over 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 subdivision revenue.

4. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9.0 percent of their gross salaries. The District contributed an amount equal to 13.7 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

5. CONTRACTUAL OBLIGATIONS

The District is a party to a twenty year lease for rental of office space. This lease was effective November 1, 1991 and terminates October 31, 2011. The lease requires the District to remit monthly payments on the first day of each month. The lease payments were fixed for the first five years at $78,500 per year. At the end of the first five years, the lease rental payments increase by five percent to $82,425 per year and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payments increase by five percent to $86,546 and will remain fixed through the fifteenth year.

5. CONTRACTUAL OBLIGATIONS (Continued)

At the end of the fifteenth year, the lease rental payments increase by five percent to $90,874 per year and will remain fixed through the conclusion of the original lease. Total payments required to fulfill this lease, as of December 31, 2006 are $439,224.

During 1993, an amendment was attached to the above lease agreement. Construction was performed on the building to provide additional office space for the WIC division. The additional lease was effective July 21, 1993 and terminates October 31, 2011. The lease requires the District to remit monthly payments of $325. At the end of the first five years, the lease rental payments increase by five percent and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payments increase by five percent and will remain fixed through the fifteenth year. At the end of the fifteenth year, the lease rental payments increase by five percent and will remain fixed through the conclusion of the original lease. Total payments required to fulfill this lease as of December 31, 2006 are $21,822.

The District is a party to a three year lease for rental of office space for its Family Planning Division. This lease was effective December 1, 2006 and terminates on November 30, 2008. This lease requires the District to remit monthly payments of $1,150. Total payments required to fulfill this lease as of December 31, 2006 are $26,450.

The District is a party to a one year lease for office space for its WIC Division. This lease was effective October 1, 2006 and terminates on September 30, 2007. This lease requires the District to remit monthly payments of $1,450. Total payments to fulfill this lease, as of December 31, 2006 are $13,050.

6. RISK MANAGEMENT

Commercial Insurance

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the audit period, the District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Maximum	Deductible
Indiana Insurance	Business Personal Property	$353,371	$ 250
	(90% co-insurance)		
	Extra Expense	50,000	0
	Commercial Crime	20,000	250
	Electronic Data Processing	116,000	250
	Auto Liability/Uninsured Motorists	1,000,000	250
CAN Insurance	Dishonesty/Forgery/Alteration	10,000/employee	1,000

Risk Pool Membership

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.

6. RISK MANAGEMENT (Continued)

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.

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:

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

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

6. RISK MANAGEMENT (Continued)

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 $20,164. 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.

Contributions to PEP	
2004	$8,735
2005	9,797
2006	10,082

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.

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.

GENERAL HEALTH DISTRICT
ALLEN COUNTY

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S Department of Agriculture			
Passed Through Ohio Department of Health			
Special Supplemental Nutrition Program	FY06 CL06	10.557	$356,481
for Women, Infants and Children (WIC)	FY07 CL07		118,114
Total U.S. Department of Agriculture			474,595
U.S. Department of Health and Human Services			
Passed Through Ohio Department of Health			
Cooperative Agreements for State-Based Comprehensive			
Breast and Cervical Cancer Early Detection Programs	FY06 AE06	93.283	73,963
	FY07 AE07		62,510
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
Public Health Infrastructure Grant	FY06 BI06	93.283	110,765
Public Health Infrastructure Grant	FY07 BI07		46,354
Subtotal			293,592
Preventive Health and Health Services Block Grant			
Cardiovascular Disease Grant	FY06 ED06	93.991	63,134
Maternal and Child Health Services	FY06 MC06	93.994	162,988
Block Grant to the States	FY07 MC07		143,269
Subtotal			306,257
Family Planning Services	FY 05 XX05	93.217	17,624
	FY 06 XX06		111,176
Subtotal			128,800
Immunization Grant	FY06 AZ06	93.268	45,631
Total U.S. Department of Health and Human Services			837,414
Total Federal Financial Assistance			$1,312,009

See accompanying notes to the Schedule of Federal Awards Expenditures.

GENERAL HEALTH DISTRICT
ALLEN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMINGLING

Some Federal funds were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.

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

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

We have audited the financial statements of the General Health District, Allen County, (the District), as of and for the year ended December 31, 2006, and have issued our report thereon dated July 27, 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.

Internal Control Over Financial Reporting
(Continued)

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 certain internal control matters that we reported to the District's management in a separate letter dated July 27, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 27, 2007.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2007

Mary Taylor, CPA
Auditor of State

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

General Health District
Allen County
P.O. Box 1503
219 East Market Street
Lima, Ohio 45802

To the Members of the Board:

Compliance

We have audited the compliance of the General Health District, Allen County, (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 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2006-002.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2006-002 to be a significant deficiency.

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. We consider finding 2006-002 in the accompanying schedule of findings to be a material weakness.

The District's responses to the findings we identified 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 management, the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 27, 2007

GENERAL HEALTH DISTRICT
ALLEN COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse under GAAP, unqualified under the regulatory basis.
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #93.283 Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs/Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.994 Maternal and Child Health Services Block to the States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2006-001

Noncompliance and Significant Deficiency

Deposit Revenue in a Timely Manner

Ohio Rev. Code Section 9.38 requires public officials to deposit all public moneys received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such moneys received exceeds $1,000. If the total amount does not exceed $1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days.

The General Fund, Medicaid and vital statistic collections in the amount of $11,011 and $6,217, respectively, for the month of December, were not deposited with the County until January of 2007. The Environmental Division collections, for the last two weeks of December, in the amount of $14,185 in the General Fund and $1,351 in the Special Revenue Fund were not deposited with the County until January 2007. In the Special Revenue Fund, Construction and Demolition collections in the amount of $9,398 were not deposited with the County until January 2007.

The lack of timely deposits has resulted in audit adjustments in the amount of $42,162 to properly report financial activity for this audit. These type adjustments have been made for the last several audits.

The District's adopted policy should include procedures that assure that receipts are deposited on a timely basis and recorded in the proper period to avoid the possible misstatements of the financial statements and be in compliance with the above stated law.

See (federal) finding 2006-002 below; that finding is also required to be reported under GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance, Significant Deficiency, and Material Weakness

Finding Number	**2006-002**
CFDA Title and Number	CFDA #93.283 Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs/Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.994 Maternal and Child Health Services Block to the States
Federal Award Number/Year	CFDA #93.283 - FY06AE06, FY07AE07, FY06BI06, FY07BI07 CFDA #93.994 - FY06MC06, FY07MC07
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Health

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Proper Accounting for Grant Funds

28 CFR Subpart C, Section 70.21(a)(2) states that the recipients financial management systems must provide records that identify adequately the source and application of funds for Federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Separate funds are not maintained for each federal grant nor are the expenditure transactions related to each grant reported within the related fund in the accounting system. Transfers are made from all grant funds and various other funds to the General Fund to pay the payroll and payroll related costs which are paid entirely from the General Fund. Separate excel spreadsheets are then maintained to show the appropriate expenditures from each fund. Transfers from the General fund to an Internal Service Fund are being made to pay health insurance premiums. These payroll and premium expenditures are then allocated to the individual grant funds per the excel spreadsheet.

Difficulties are encountered when tying expenditures, including federal, to the underlying accounting records. The lack of separate accountability for each fund (cash expenditures being charged directly to the appropriate fund) results in difficulty determining which expenditure relates to which fund or grant, and if the expenditures are in accordance with requirements.

As of October 1, 2005, Allen County (the fiscal agent) changed the accounting software system so that an expenditure could be charged to more than one fund with only one check issued. Since the District has the means to charge and report expenditures in the appropriate fund, separate funds should be established for each federal grant and all transactions relating to that grant should be charged to and reported in the established fund. Transfers for payroll purposes should be eliminated. The Internal Service Fund should also be eliminated and the health care costs should be charged to the appropriate funds. The District would not only see a savings in work time efficiencies but also a reduction in audit costs.

Client Response:

We did not receive a response to the findings above.

Mary Taylor, CPA
Auditor of State

GENERAL HEALTH DISTRICT

ALLEN 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 22, 2007

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