

General Health District

Ross County, Ohio

Single Audit

January 1, 2006 through December 31, 2006

Year Audited Under GAGAS: 2006

**BALESTRA, HARR & SCHERER CPAs, INC.**

528 South West Street, P.O. Box 687  
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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ross County General Health District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 14, 2007

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**Ross County, Ohio**  
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*For the Year Ended December 31, 2006*

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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the General Health District, Ross County, Ohio, (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund of the District as of December 31, 2006, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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Ross County, Ohio  
Independent Auditor's Report  
Page 2

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



Balestra, Harr & Scherer, CPAs, Inc.

May 11, 2007

**General Health District**  
**Ross County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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This discussion and analysis of Ross County General Health District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2006, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

There was an increase in net assets from 2005 to 2006 of \$78,800.

The District's receipts are primarily from charges for services, operating grants and contributions, unrestricted intergovernmental receipts, and property taxes. These receipts represent 99.3 percent of the total cash received for governmental activities during 2006. The remaining receipts are attributed to miscellaneous receipts.

The District's disbursements are primarily composed of home health and community health with \$2,651,884 and \$2,199,421 disbursed for 2006.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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



**General Health District**  
**Ross County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets presents the cash and investment balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for its governmental program. Program receipts include charges paid by the recipient of the program services and for grant monies received. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how its governmental activity draws from the District's general receipts.

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

In the statement of net assets and the statement of activities, we report the District in one type of activity:

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

**Reporting the District's Most Significant Funds**

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

Governmental Funds – The District's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less cash basis financial resources that can be spent to finance the District's programs. The District's governmental fund is presented on the fund financial statements. For 2006, the District's governmental fund is the General Fund. The disbursements reported in its governmental fund are the same as those reported in the governmental activities section of the entity-wide statements.

**General Health District**  
**Ross County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2006 compared to 2005 on a cash basis:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<i>Assets</i>		
Cash	\$34,873	\$1,147
Equity in County Treasury	1,175,812	1,130,738
<b>Total Assets</b>	<b>1,210,685</b>	<b>1,131,885</b>
<i>Net Assets</i>		
Unrestricted	1,210,685	1,131,885
<b>Total Net Assets</b>	<b>\$1,210,685</b>	<b>\$1,131,885</b>

As mentioned previously, net assets of governmental activities increased \$78,800 or 7.0 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Receipts decreased by \$9,135 due primarily to a decrease in charges for services of \$26,144 and an increase in operating grants and contributions of \$13,113 and miscellaneous revenue of \$39,587.
- Disbursements decreased by \$266,442 due primarily to a decrease in expenditures for community health of \$157,111 and home health of \$96,146.

**General Health District**  
**Ross County, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

Table 2 reflects the changes in net assets in 2006. A comparative analysis of 2005 and 2006 is presented.

Table 2  
Change in Net Assets

	Governmental Activities	
	2006	2005
<i>Receipts:</i>		
<i>Program Receipts:</i>		
Charges for Services	\$4,211,949	\$4,238,093
Operating Grants and Contributions	2,118,396	2,105,283
<b>Total Program Receipts</b>	<b>6,330,345</b>	<b>6,343,376</b>
<i>General Receipts:</i>		
Property Taxes	694,797	708,967
Grants and Entitlements not Restricted		
To Specific Programs	47,593	69,114
Miscellaneous	51,368	11,781
<b>Total General Receipts</b>	<b>793,758</b>	<b>789,862</b>
<b>Total Receipts</b>	<b>7,124,103</b>	<b>7,133,238</b>
 <i>Disbursements:</i>		
<i>Current:</i>		
<i>Public Health Services:</i>		
Children's Health	872,726	850,451
Environmental Health	540,427	505,543
Community Health	2,199,421	2,356,532
Administrative Services	639,326	708,318
Home Health	2,651,884	2,748,030
Community Preparedness	141,519	142,871
<b>Total Disbursements</b>	<b>7,045,303</b>	<b>7,311,745</b>
 <i>Change in Net Assets</i>	 78,800	 (178,507)
<i>Net Assets, January 1</i>	1,131,885	1,310,392
<b><i>Net Assets, December 31</i></b>	<b>\$1,210,685</b>	<b>\$1,131,885</b>

Program receipts represent 88.9 percent of total receipts in 2006, and are comprised of charges for services collected from customers and for operating grants and contributions.

General receipts represent 11.1 percent of the District's total receipts for 2006. These receipts consist of property taxes, unrestricted intergovernmental receipts, and miscellaneous receipts.

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

**General Health District**  
**Ross County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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**Governmental Activities**

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

Table 3  
Governmental Activities

	Total Cost Of Services 2006	Net Cost Of Services 2006	Total Cost Of Services 2005	Net Cost Of Services 2005
Children's Health	\$872,726	\$61,674	\$850,451	(\$68,060)
Environmental Health	540,427	169,886	505,543	126,489
Community Health	2,199,421	317,691	2,356,532	363,135
Administrative Services	639,326	398,248	708,318	553,394
Home Health	2,651,884	(277,941)	2,748,030	(21,866)
Community Preparedness	141,519	45,400	142,871	15,277
Total Disbursements	<u>\$7,045,303</u>	<u>\$714,958</u>	<u>\$7,311,745</u>	<u>\$968,369</u>

**The District's Fund and Budgeting Highlights**

The General Fund had receipts of \$7,124,103 and disbursements of \$7,045,303 in 2006. The greatest change within the General Fund related to disbursements with a decrease in contractual services.

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During 2006, the District amended its General Fund budget to reflect changing circumstances. Final disbursements were budgeted at \$7,639,293 while actual disbursements were \$7,045,303.

**Capital Assets**

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

**Debt**

The District had no debt outstanding as of December 31, 2006.

**Contacting the District's Financial Management**

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

**General Health District**  
**Ross County, Ohio**  
*Statement of Net Assets - Cash Basis*  
*As of December 31, 2006*

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	<u>Governmental Activities</u>
Assets	
Cash	\$34,873
Equity in County Treasury	<u>1,175,812</u>
Total Assets	<u><u>1,210,685</u></u>
Net Assets	
Unrestricted	<u>1,210,685</u>
Total Net Assets	<u><u>\$1,210,685</u></u>

See accompanying notes to the basic financial statements.

**General Health District**  
**Ross County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Children's Health	\$872,726	\$0	\$811,052	(\$61,674)
Environmental Health	540,427	359,984	10,557	(169,886)
Community Health	2,199,421	713,151	1,168,579	(317,691)
Administrative Services	639,326	208,989	32,089	(398,248)
Home Health	2,651,884	2,929,825	0	277,941
Community Preparedness	141,519	0	96,119	(45,400)
Total Governmental Activities	<u>\$7,045,303</u>	<u>\$4,211,949</u>	<u>\$2,118,396</u>	(714,958)
		General Receipts		
		Property Taxes Levied for General Health District Purposes		694,797
		Grants and Entitlements not Restricted to Specific Programs		47,593
		Miscellaneous		<u>51,368</u>
		Total General Receipts		793,758
		Change in Net Assets		78,800
		Net Assets Beginning of Year		<u>1,131,885</u>
		Net Assets End of Year		<u>\$1,210,685</u>

See accompanying notes to the basic financial statements.

**General Health District**  
**Ross County, Ohio**  
*Statement of Cash Basis Assets and Fund Balance*  
*Governmental Fund*  
*As of December 31, 2006*

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	<u>General</u>
Assets	
Cash	\$34,873
Equity in County Treasury	<u>1,175,812</u>
Total Assets	1,210,685
Fund Balance	
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>1,210,685</u>
Total Fund Balance	<u><u>\$1,210,685</u></u>

See accompanying notes to the basic financial statements.

**General Health District**  
**Ross County, Ohio**  
*Statement of Cash Receipts, Disbursements, and Changes*  
*in Cash Basis Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2006*

	General
Receipts	
Property Taxes	\$694,797
Intergovernmental	2,165,989
Charges for Services	4,211,949
Miscellaneous	51,368
Total Receipts	7,124,103
Disbursements	
Current:	
Children's Health	872,726
Environmental Health	540,427
Community Health	2,199,421
Administrative Services	639,326
Home Health	2,651,884
Community Preparedness	141,519
Total Disbursements	7,045,303
Net Change in Fund Balance	78,800
Fund Balance Beginning of Year	1,131,885
Fund Balance End of Year	\$1,210,685

See accompanying notes to the basic financial statements.



**General Health District**  
**Ross County, Ohio**  
*Statement of Receipts, Disbursements, and Changes*  
*In Fund Balance - Budget and Actual -Budgetary Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts	\$7,265,756	\$7,085,756	\$7,124,103	\$38,347
Disbursements	8,263,785	7,639,293	7,045,303	593,990
Net Change in Fund Balance	(998,029)	(553,537)	78,800	632,337
Fund Balance Beginning of Year	1,131,885	1,131,885	1,131,885	0
Fund Balance End of Year	<u>\$133,856</u>	<u>\$578,348</u>	<u>\$1,210,685</u>	<u>\$632,337</u>

See accompanying notes to the basic financial statements.

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**1. REPORTING ENTITY**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Cash**

As required by the Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. As of December 31, 2006, the District's share of the County's Cash and Investment Pool was \$1,175,812. All risks associated with deposits and investments held at the Treasurer's Office are the responsibility of Ross County. Deposit and investments disclosures for the County as a whole may be obtained from the Ross County Auditor's Office, 2 North Paint Street, Suite G, Chillicothe, Ohio 45601, (740) 702-3080.

The District maintains a bank account to hold District receipts during each month and then makes a monthly deposit to the County. The carrying amount of these deposits as of December 31, 2006 was \$34,873 and the bank balance was \$34,873. The entire balance was covered by federal depository insurance.

**B. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following type:

**1. General Fund**

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

**C. Basis of Presentation**

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net assets – cash basis and statement of activities – cash basis, fund financial statements, and notes to the basic financial statements that provide a more detailed level of financial information.

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

**D. Government-wide Financial Statements**

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

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

**E. Fund Financial Statements**

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

**F. Basis of Accounting**

The District prepares its financial statements and notes on the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of the material matters, in accordance with the basis of accounting described in the preceding paragraph.

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

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

**G. Cash Receipts—Exchange and Non-exchange Transactions**

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

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

**H. Cash Disbursements**

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

**I. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

**J. Capital Assets**

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

**K. Compensated Absences**

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

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

L. Net Assets – Cash Basis

Net assets represent the difference between assets and liabilities. Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The District had no restricted net assets at December 31, 2006.

**3. INTERGOVERNMENTAL RECEIPTS**

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in intergovernmental receipts on the accompanying basic financial statements.

**4. LEVIED TAXES**

The County Commissioners are serving as the taxing authority to levy a special levy outside the ten-mill limitation to provide the District with sufficient funds to carry out health programs. The levy generated \$694,797 in 2006. This amount is reflected as property taxes receipts on the accompanying basic financial statements.

**5. DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**5. DEFINED BENEFIT PENSION PLAN (Continued)**

Ohio Public Employees Retirement System (Continued)

The District's pension contributions for 2006 were 13.7 percent of covered payroll. The member contribution rate for 2006 was 9.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for 2006, 2005, and 2004 were \$561,981, \$519,123, and \$438,852 respectively, which were equal to the required contributions for each year.

**6. POST-EMPLOYMENT BENEFITS**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.70 percent of covered payroll for fiscal year 2006; 4.5 percent was used to fund health care for the year 2006.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

Actuarial Review – The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2005.

Funding Method – An individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually; not to exceed a 12 percent corridor.

Investment Return – The investment assumption rate for 2005 (the latest available) was 6.50 percent.

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**6. POST-EMPLOYMENT BENEFITS (Continued)**

Active Employee Total Payroll – An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 percent to 6.00 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214 for 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804.
2. The employer contributions that were used to fund post-employment benefits were \$184,611 for 2006.
3. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.
4. The Actuarial Valuation as of December 31, 2005, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used, at \$31.3 billion and \$20.2 billion, respectively.

E. OPERS Retirement Board Implements its Health Care Preservation Plan:

The Health Care Preservation Plan (HCPP) adopted on September 9, 2004, is effective on January 1, 2007. OPERS took additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which allow additional funds to be allocated to the health care plan.

**7. RISK MANAGEMENT**

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**7. RISK MANAGEMENT (Continued)**

Property Coverage

PEP retains property risks including automobile physical damage, there is no aggregate for 2006 and future accident years. As of 2006, PEP retains property risks, including automobile physical damage, up to \$100,000 on a specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operation contributions. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

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

	<u>2005</u>
<i>Casualty Coverage:</i>	
Assets	\$29,719,675
Liabilities	<u>(15,994,168)</u>
Retained Earnings	<u>\$13,725,507</u>
 <i>Property Coverage:</i>	
Assets	\$4,443,332
Liabilities	<u>(1,068,246)</u>
Retained Earnings	<u>\$3,375,086</u>

Coverage has not been significantly reduced from the prior year. Settlements have not exceeded insurance coverage in any of the past three years.

**8. JOINTLY GOVERNED ORGANIZATION**

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



**General Health District**  
**Ross County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**9. CONTINGENT LIABILITIES**

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

**10. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2006, the District implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The implementation of GASB Statement No. 46 had no effect on the District's financial statements.

**General Health District**  
**Ross County, Ohio**  
*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
<b>U.S. Department of Agriculture</b>			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	ODH-71-1-001-1-CL-06	10.557	\$343,506
Special Supplemental Nutrition Program for Women, Infants, and Children	ODH-71-1-001-1-CL-07	10.557	87,349
<b>Total U.S. Department of Agriculture</b>			<b>430,855</b>
<b>U.S. Department of Transportation</b>			
<i>Passed Through Ohio Department of Public Safety and Office of the Governor's Highway Safety Representatives:</i>			
State and Community Highway Safety	71000HDO	20.600	22,553
State and Community Highway Safety	SC-2006-71-00-00-00649	20.600	3,928
<b>Total U.S. Department of Transportation</b>			<b>26,481</b>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed Through Ohio Department of Health</i>			
Centers for Disease Control and Prevention Investigations and Technical Assistance	ODH-71-1-001-2-BI-06	93.283	88,719
Centers for Disease Control and Prevention Investigations and Technical Assistance	ODH-71-1-001-2-BI-07	93.283	20,928
			109,647
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ODH-71-1-001-2-AE-05	93.919	98,099
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ODH-71-1-001-2-AE-06	93.919	82,861
			180,960
Preventive Health and Health Services Block Grant	ODH-71-1-001-2-ED-06	93.991	70,087
<i>Total Passed through Ohio Department of Health</i>			360,694
<i>Passed Through Ross County Department of Job and Family Services</i>			
Temporary Assistance for Needy Families	ODH-71-1-002-1-EG-06	93.558	294,007
	ODH-71-1-002-1-EG-07		
	31-6400085		294,007
<i>Total Passed Through Ross County Department of Job and Family Services</i>			294,007
<i>Direct:</i>			
Community-Based Abstinence Education (CBAE)	90AE005602	93.010	484,909
Community-Based Abstinence Education (CBAE)	90AE005603	93.010	291,729
<i>Total Direct from U.S. Department of Health and Human Services</i>			776,638
<b>Total U.S. Department of Health and Human Services</b>			<b>1,431,339</b>
<b>U.S. Department of Education</b>			
<i>Passed Through Ross County Job and Family Services</i>			
Special Education - Grants for Infants and Families with Disabilities	ODH-71-1-002-1-EG-06	84.181	76,897
	ODH-71-1-002-1-EG-07		
	31-6400085		76,897
<b>Total U.S. Department of Education</b>			<b>76,897</b>
<b>Total Federal Awards Expenditures</b>			<b>\$1,965,572</b>

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

**General Health District  
Ross County, Ohio**

*Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2006*

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING FUNDS**

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities and the major fund of the General Health District, Ross County, Ohio (the District), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2007, wherein we noted the District followed the cash basis of accounting rather than accounting principles general accepted in the United States of America and which we indicated the District implemented GASB Statement No. 46. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness on the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

General Health District

Ross County


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

Page 2

### **Compliance and Other Matters**

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

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



Balestra, Harr & Scherer, CPAs, Inc.

May 11, 2007

# BALESTRA, HARR & SCHERER, CPAs, INC.

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### **Compliance**

We have audited the compliance of the General Health District, Ross County, Ohio, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

General Health District

Ross County, Ohio

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A - 133

Page 2

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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.

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



Balestra, Harr & Scherer, CPAs, Inc.

May 11, 2007

**General Health District**  
**Ross County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2006*

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Abstinence Based Education Program, CFDA #93.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes



**General Health District**  
**Ross County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2006*

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**GENERAL HEALTH DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 26, 2007**