



Mary Taylor, CPA  
Auditor of State



CHAMPAIGN HEALTH DISTRICT  
CHAMPAIGN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	16

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# Mary Taylor, CPA

Auditor of State

Champaign Health District  
Champaign County  
1512 S. US Highway 68  
Suite Q100  
Urbana, Ohio 43078

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 an 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 adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

November 14, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Champaign Health District  
Champaign County  
1512 S. US Highway 68  
Suite Q100  
Urbana, Ohio 43078

To the Members of the Board:

We have audited the accompanying financial statement of the Champaign Health District, Champaign County, (the Health District), as of and for the year ended December 31, 2005. This financial statement is the responsibility of the Health District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Health District's larger (i.e. major) funds separately. While the Health District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Health District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Health District as of December 31, 2005, or its changes in financial position for the year then ended.

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

The Health 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007, on our consideration of the Health 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.

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

**Mary Taylor, CPA**  
Auditor of State

November 14, 2007

**CHAMPAIGN HEALTH DISTRICT  
CHAMPAIGN COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental:			
Local	\$29,146	\$3,889	\$33,035
State	28,737	2,750	31,487
Federal		112,233	112,233
Subdivisions	168,500		168,500
Fines, Licenses and Permits	180,731	83,830	264,561
Fees:			
Nursing	53,637		53,637
Vital Statistics	14,813	6,629	21,442
Medicare	10,208		10,208
Contract Services	11,404		11,404
Reimbursements	18,730	71	18,801
Donations	5,292		5,292
Miscellaneous	74		74
Total Cash Receipts	<u>521,272</u>	<u>209,402</u>	<u>730,674</u>
<b>Cash Disbursements:</b>			
Salaries	257,707	115,195	372,902
Insurance		29,232	29,232
Medicare		443	443
Supplies - General	46,021		46,021
Supplies - Office		7,680	7,680
Supplies - Postage		126	126
Equipment	5,129	20,526	25,655
Contracts - Repair	498		498
Contracts - Services		17,695	17,695
Rentals and Rental Maintenance	3,385	80	3,465
Telephone		3,841	3,841
Travel	19,618	7,470	27,088
Vehicles	1,126		1,126
Advertising and printing	1,972	553	2,525
Public employee's retirement	44,168	18,726	62,894
Worker's compensation	5,135	1,396	6,531
Refunds		130	130
Fees - Vital Statistics		5,540	5,540
Fees - Remittances to State		5,600	5,600
Other	96,838	8,879	105,717
Total Disbursements	<u>481,597</u>	<u>243,112</u>	<u>724,709</u>
Total Receipts Over/(Under) Disbursements	<u>39,675</u>	<u>(33,710)</u>	<u>5,965</u>
Fund Cash Balances, January 1	<u>193,544</u>	<u>134,255</u>	<u>327,799</u>
Fund Cash Balances, December 31	<u>233,219</u>	<u>100,545</u>	<u>333,764</u>
Reserves for Encumbrances, December 31	<u>\$10,724</u>	<u>\$9,967</u>	<u>\$20,691</u>

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

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**DISTRICT BOARD OF HEALTH  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Champaign Health District, Champaign County, (the Health District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. prevention and control of disease, immunization clinics, public health nursing services, inspections, the issuance of health-related licenses and permits, sanitation, abatement and removal of nuisances, and emergency response planning.

The Health District's management believes these financial statements present all activities for which the Health 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 Health 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 Health District's cash. The County's cash and investment pool holds the Health District's assets, valued at the County Treasurer's reported carrying amount.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for all financial resources except those restricted by law or contract.

**2. Special Revenue Funds**

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

**Health Grant Fund** – This fund accounts for State and Federal grant money used to provide services to the Public Health Infrastructure and Immunization programs in Champaign County. The Public Health Infrastructure funds are used to provide public health emergency preparedness activities for the county.

**Food Service Fund** - This fund is used to record the revenues and expenditures associated with providing food service licenses and inspections of food service operations.

**DISTRICT BOARD OF HEALTH  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Health District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 budgetary activity appears in Note 2.

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

The Health 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 year ended December 31, 2005 follows:

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$415,416	\$521,272	\$105,856
Special Revenue	199,594	209,402	9,808
Total	\$615,010	\$730,674	\$115,664

**DISTRICT BOARD OF HEALTH  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005**

**2. BUDGETARY ACTIVITY (Continued)**

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$580,395	\$492,321	\$88,074
Special Revenue	315,488	253,079	62,409
Total	\$895,883	\$745,400	\$150,483

**3. INTERGOVERNMENTAL FUNDING**

The County apportions the excess of the Health District's appropriations over other estimated receipts among the townships and municipalities composing the Health District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the Health District. The financial statements present these amounts as subdivision receipts.

**4. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 OPERS members contributed 8.5 percent of their gross salaries. The Health District contributed an amount equal to 13.55 percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2005.

**5. RISK MANAGEMENT**

**A. Commercial Insurance**

The Health District has obtained commercial insurance for the following risks:

- Employee health insurance
- Errors and omissions.

**B. Risk Pool Membership**

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

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

The Health 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.

**DISTRICT BOARD OF HEALTH  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005**

**5. RISK MANAGEMENT (Continued)**

**C. Casualty Coverage**

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

**D. 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 value. 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 2005 was \$1,682,589.

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.

**E. 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 and 2004.

<b>Casualty Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<b>Property Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

**DISTRICT BOARD OF HEALTH  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005**

**5. RISK MANAGEMENT (Continued)**

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Health District's share of these unpaid claims collectible in future years is approximately \$ 7,916. This payable includes the subsequent year's contribution due if the Health 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.

<b>Contributions to PEP</b>	
2003	\$3,958
2004	\$3,958

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide 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 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 was incurred or reported prior to the withdrawal.

**6. CONTINGENT LIABILITIES**

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

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# Mary Taylor, CPA

Auditor of State

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

Champaign Health District  
Champaign County  
1512 S. US Highway 68  
Suite Q100  
Urbana, Ohio 43078

To the Members of the Board:

We have audited the financial statements of Champaign Health District, Champaign County, (the Health District), as of and for the year ended December 31, 2005, and have issued our report thereon dated November 14, 2007, wherein we noted the Health District prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 Health 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 Health District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Health 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Health 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 Health District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2005-001.

**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 Health 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, we believe finding number 2005-001 is also a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Health 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Health District's management in a separate letter dated November 14, 2007.

The Health District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Health District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and the Board. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 14, 2007

**CHAMPAIGN HEALTH DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

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

**FINDING NUMBER 2005-001**

**Material Weakness**

**Annual Report Presentation**

The District's 2005 annual report required several material reclassification adjustments to revenue and expenditures. There were instances in which monies were posted to the incorrect line item which caused the financial statements to be materially misstated. General Fund revenues and expenditures were overstated 14% and 15%, respectively. This was the result of posting salary reimbursements from other funds as an increase in operating revenue rather than a reduction of expenditures. Forty-six percent (46%) of Special Revenue fund revenue accounts were misclassified. The description of the transaction did not agree to the account code it to which it was posted. The accompanying financial statement was adjusted and reflects the reduction of expenditures in the General Fund and the proper classification of revenue in the Special Revenue fund. To reduce the risk of materially misstating the annual report, the posting of revenue and expenditures during the year and the preparation of the annual report should be carried out with due care for proper presentation.

**Official's Response:**

The incorrect posting in the General Revenue (204) and Special Revenue funds was a result of corrections made for expenses expended in 204 that should have been expended in a special fund. Beginning in 2007, reduction in expense corrections will be utilized to assure that overstatement of revenue does not occur.

**CHAMPAIGN HEALTH DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Postings to incorrect funds and/or accounts.	No	See Finding 2005-001
2004-002	Ohio Rev.Code Section 5705.41(D), failure to certify the availability of funds prior to entering into purchase commitments.	Yes	N/A



**Mary Taylor, CPA**  
Auditor of State

**CHAMPAIGN HEALTH DISTRICT**

**CHAMPAIGN 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  
DECEMBER 18, 2007**