



**SIDNEY - SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND-2005



Mary Taylor, CPA
Auditor of State

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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**GENERAL HEALTH DISTRICT
SIDNEY-SHELBY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sidney - Shelby County Board of Health
Shelby County
202 West Poplar Street
Sidney, Ohio 45365

To the Board of Health:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney - Shelby County Board of Health, Shelby County, (the Board of Health), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Board of Health's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Health'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 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 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney - Shelby County Board of Health, Shelby County, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and Help Me Grow funds thereof for the years 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 October 11, 2007, on our consideration of the Board of Health'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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 11, 2007

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Sidney-Shelby County Board of Health’s financial performance provides an overall review of the Board of Health’s financial activities for the year ended December 31, 2006, within the limitations of the Board of Health’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board of Health’s financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year 2006 are as follows:

- Net assets increased \$48,518. The increase is due to additional tax levy dollars.
- Program specific receipts in the form of charges for services and operating grants and contributions comprise the largest percentage of the Board of Health’s receipts, making up almost 69.2% of all the dollars coming into the District. General receipts in the form of property taxes and miscellaneous income make up the other 30.8%.
- The Board of Health had \$2,233,874 in disbursements during 2006. Increases in disbursements were due to the Help Me Grow program, WIC program, and the Public Health Infrastructure program.

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 Board of Health’s cash basis of accounting.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Board of Health as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Board of Health, presenting both an aggregate view of the Board of Health’s finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Board of Health as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the 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 statements.

Basis of Accounting

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

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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.

REPORTING THE BOARD OF HEALTH AS A WHOLE

The statement of net assets and the statement of activities reflect how the Board of Health did financially during 2006, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Board of Health at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program’s goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board of Health’s general receipts.

These statements report the Board of Health’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 Board of Health’s financial health. Over time, increases or decreases in the Board of Health’s cash position is one indicator of whether the Board of Health’s financial health is improving or deteriorating. When evaluating the Board of Health’s financial condition, you should also consider other non-financial factors as well such as the Board of Health’s property tax base, the condition of the Board of Health’s capital assets, the reliance on non-local financial resources for operations and the need for continued growth.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis present governmental activities, which include all the Board of Health’s services. The Board of Health has no business-type activities.

REPORTING THE BOARD OF HEALTH’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the Board of Health’s major funds – not the Board of Health as a whole. The Board of Health establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board of Health are governmental.

Governmental Funds - The Board of Health’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board of Health’s governmental operations and the health services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board of Health’s health programs. The Board of Health’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board of Health’s major governmental funds are the General Fund and the Help Me Grow Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

THE BOARD OF HEALTH AS A WHOLE

Table 1 provides a summary of the Board of Health’s net assets for 2006 compared to 2005 on a cash basis:

**Table 1
Net Assets – Cash Basis**

	Governmental Activities		
	2006	2005	Change
Assets			
Cash and Cash Equivalents	\$467,304	\$418,786	\$48,518
Total Assets	<u>467,304</u>	<u>418,786</u>	<u>48,518</u>
Net Assets			
Restricted	158,601	156,905	1,696
Unrestricted	<u>308,703</u>	<u>261,881</u>	<u>46,822</u>
Total Net Assets	<u><u>\$467,304</u></u>	<u><u>\$418,786</u></u>	<u><u>\$48,518</u></u>

As mentioned previously, net assets increased \$48,518. The increase is due primarily to more tax revenue received during 2006.

Table 2 reflects the change in net assets in 2006 and provides a comparison to prior year amounts.

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2006	2005	Change
Receipts			
Program Cash Receipts			
Charges for Services and Sales	\$1,032,174	\$916,099	\$116,075
Operating Grants and Contributions	548,047	474,864	73,183
Total Program Cash Receipts	<u>1,580,221</u>	<u>1,390,963</u>	<u>189,258</u>
General Receipts			
General Property Taxes	680,190	709,548	(29,358)
Miscellaneous	21,981	13,019	8,962
Total General Receipts	<u>702,171</u>	<u>722,567</u>	<u>(20,396)</u>
Total Receipts	<u>2,282,392</u>	<u>2,113,530</u>	<u>168,862</u>
Disbursements			
Public Health Services	2,222,348	1,977,863	244,485
Capital Outlay	11,526	28,241	(16,715)
Total Disbursements	<u>2,233,874</u>	<u>2,006,104</u>	<u>227,770</u>
Change in Net Assets	48,518	107,426	(58,908)
Net Assets Beginning of Year	<u>418,786</u>	<u>311,360</u>	<u>107,426</u>
Net Assets End of Year	<u><u>\$467,304</u></u>	<u><u>\$418,786</u></u>	<u><u>\$48,518</u></u>

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

In 2006, 30.8% of the Board of Health’s total receipts were from general receipts, consisting mainly of property taxes levied for general health district purposes. Program receipts accounted for 69.2% of the Board of Health’s total receipts in fiscal year 2006. These receipts consist primarily of charges for services for nursing contracts to local school districts, birth and death certificates, food service licenses, building permits, aeration permits, immunization fees, and water system permits and state and federal operating grants.

Disbursements for the Board of Health represent the overhead costs of running the District and the support services provided for the other District activities. These include primarily the costs of personnel and personnel support, as the primary product of the District is preventive health services which are labor-intensive.

Capital outlay signifies the disbursements for equipment for use in administering the District’s services.

Governmental Activities

If you look at the Statement of Activities – Cash Basis, you will see that the first column lists the major services provided by the Board of Health. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Board of Health that must be used to provide a specific service. The net cost 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 by taxpayers and miscellaneous income. 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 for both the current and prior years 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
Public Health Services	\$2,222,348	\$642,127	\$1,977,863	\$586,900
Capital Outlay	11,526	11,526	28,241	28,241
Totals	\$2,233,874	\$653,653	\$2,006,104	\$615,141

The Board of Health has tried to limit its dependence upon property taxes and local subsidies by actively pursuing Federal grants and charging rates for services that are closely related to costs. Only 29.2% of the Board of Health costs are supported through property taxes and other general receipts.

THE BOARD OF HEALTH’S FUNDS

As noted earlier, the Board of Health uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the Board of Health’s governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the Board of Health’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Board of Health’s net resources available for spending at the end of the year.

At the end of 2006, the Board of Health’s governmental funds reported total ending fund balances of \$467,304. \$467,304 of the total is unreserved fund balance, which is available for spending.

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets – Cash Basis due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state and federal governments.

The general fund is the chief operating fund of the Board of Health. At the end of 2006, unreserved fund balance in the general fund was \$308,703. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 29.9% of the total general fund expenditures.

Revenues exceeded expenditures in the general fund by \$50,822 in 2006. License and permit fees and charges for services accounted for 26.2% of revenues in the general fund. Intergovernmental revenues consist of state subsidies and grants. Environmental health accounts for the majority of expenditures in the general fund.

The Help Me Grow special revenue fund accounts for federal and state grant monies for the Help Me Grow program. Help Me Grow is a program for expectant parents, newborns, infants, and toddlers. The program focuses on the growth and development of children ages birth to three years and provides newborn home visits and on-going health developmental health services. At the end of 2006 the total fund balance was \$44,564.

GENERAL FUND BUDGETING HIGHLIGHTS

The Board of Health's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2006, the Board of Health amended its appropriations several times, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final estimated receipts and appropriations.

CAPITAL ASSETS

The Board of Health does not currently keep track of its capital assets and infrastructure. The Board of Health has not made plans to track this, as it is not required by current law.

DEBT

At December 31, 2006, the Board of Health's outstanding debt included future lease payments for the office facility and large office equipment, as well as accumulated sick and vacation leave balances for the Board of Health's employees. For further information regarding the Board of Health's debt, refer to the notes to the basic financial statements.

CONTACTING THE BOARD OF HEALTH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Health Board of Health's finances and to reflect the Board of Health'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 Robert M. Mai, Health Commissioner, Sidney-Shelby County Health District, 202 W. Poplar Street, Sidney, OH 45365.

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**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$467,304
Total Assets	<u>\$467,304</u>
Net Assets	
Restricted for:	
Other Purposes	158,601
Unrestricted	308,703
Total Net Assets	<u>\$467,304</u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**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 and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Health	\$2,222,348	\$1,032,174	\$548,047	(\$642,127)
Capital Outlay	11,526			(11,526)
Total Governmental Activities	<u>\$2,233,874</u>	<u>\$1,032,174</u>	<u>\$548,047</u>	<u>(\$653,653)</u>
 General Receipts				
Property Taxes Levied for:				
General Purposes				680,190
Miscellaneous				21,981
				<u>702,171</u>
Total General Receipts				702,171
Change in Net Assets				48,518
Net Assets Beginning of Year				<u>418,786</u>
Net Assets End of Year				<u>\$467,304</u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Help Me Grow	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$308,703	\$44,564	\$114,037	\$467,304
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	308,703			308,703
Special Revenue Funds		44,564	114,037	158,601
Total Fund Balances	\$308,703	\$44,564	\$114,037	\$467,304

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Help Me Grow</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$680,190			\$680,190
Intergovernmental	97,133	\$114,565	\$230,792	442,490
Local Grant Funding	3,500		102,057	105,557
Licenses, Permits, and Fees	136,825		445,888	582,713
Charges for Services	146,936	194,009	108,516	449,461
Miscellaneous	18,548		3,433	21,981
Total Receipts	<u>1,083,132</u>	<u>308,574</u>	<u>890,686</u>	<u>2,282,392</u>
Disbursements				
Health	1,027,237	304,440	890,671	2,222,348
Capital Outlay	5,073		6,453	11,526
Total Disbursements	<u>1,032,310</u>	<u>304,440</u>	<u>897,124</u>	<u>2,233,874</u>
Excess of Receipts Over (Under) Disbursements	50,822	4,134	(6,438)	48,518
Other Financing Sources (Uses)				
Advance In	36,000		40,000	76,000
Advance Out	<u>(40,000)</u>		<u>(36,000)</u>	<u>(76,000)</u>
Total Other Financing Sources (Uses)	<u>(4,000)</u>		<u>4,000</u>	
Net Change in Fund Balances	46,822	4,134	(2,438)	48,518
Fund Balances Beginning of Year	<u>261,881</u>	<u>40,430</u>	<u>116,475</u>	<u>418,786</u>
Fund Balances End of Year	<u><u>\$308,703</u></u>	<u><u>\$44,564</u></u>	<u><u>\$114,037</u></u>	<u><u>\$467,304</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$770,308	\$770,308	\$680,190	(\$90,118)
Intergovernmental	14,000	14,000	97,133	83,133
Local Grant Funding			3,500	3,500
Licenses, Permits, and Fees	107,050	107,050	136,825	29,775
Charges for Services	150,550	150,550	146,936	(3,614)
Miscellaneous	5,400	5,400	18,548	13,148
Total Revenues	<u>1,047,308</u>	<u>1,047,308</u>	<u>1,083,132</u>	<u>35,824</u>
Expenditures				
Current:				
Health	1,116,070	1,116,070	1,027,237	88,833
Capital Outlay			5,073	(5,073)
Total Expenditures	<u>1,116,070</u>	<u>1,116,070</u>	<u>1,032,310</u>	<u>83,760</u>
Excess of Revenues Over (Under) Expenditures	(68,762)	(68,762)	50,822	119,584
Other Financing Sources (Uses)				
Advances In		36,000	36,000	
Advances Out		(40,000)	(40,000)	
Total Other Financing Sources (Uses)		<u>(4,000)</u>	<u>(4,000)</u>	
Net Change in Fund Balance	(68,762)	(72,762)	46,822	119,584
Fund Balance Beginning of Year	<u>261,881</u>	<u>261,881</u>	<u>261,881</u>	
Fund Balance End of Year	<u><u>\$193,119</u></u>	<u><u>\$189,119</u></u>	<u><u>\$308,703</u></u>	<u><u>\$119,584</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
HELP ME GROW FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$106,000	\$107,715	\$114,565	\$6,850
Charges for Services	170,000	170,000	194,009	24,009
Total Revenues	<u>276,000</u>	<u>277,715</u>	<u>308,574</u>	<u>30,859</u>
Expenditures				
Current:				
Help Me Grow	304,535	306,250	304,440	1,810
Total Expenditures	<u>304,535</u>	<u>306,250</u>	<u>304,440</u>	<u>1,810</u>
Excess of Revenues Over (Under) Expenditures	(28,535)	(28,535)	4,134	32,669
Net Change in Fund Balance	(28,535)	(28,535)	4,134	32,669
Fund Balance Beginning of Year	<u>40,430</u>	<u>40,430</u>	<u>40,430</u>	
Fund Balance End of Year	<u><u>\$11,895</u></u>	<u><u>\$11,895</u></u>	<u><u>\$44,564</u></u>	<u><u>\$32,669</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

1. DESCRIPTION OF THE GENERAL HEALTH DISTRICT AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Sidney-Shelby County, (the District) as a body corporate and politic.

A five-member Board and a Health Commissioner govern the District which provides health services and issues health-related licenses and permits. They also act upon various complaints made to the District concerning the health and welfare of the County.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations ensuring that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. This includes general operations, immunization, vital statistics, health related licenses and permits, disease prevention and control, homemaker and public health nursing.

B. Public Entity Risk Pools

The Board of Health, through the it's fiscal agent Shelby County, participates in the Public Entities Pool of Ohio (PEP) and the Midwest Employee Benefit Consortium (MEBC) public entity risk pools. Note 5 to the financial statements provides additional information for these entities.

The Board of Health's management believes these basic financial statements present all activities for which the Board of Health is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Board of Health's accounting policies.

A. Basis of Presentation

The Board of Health's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board of Health as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Board of Health that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Board of Health has no business-type activities.

The statement of net assets presents the cash balances, of the governmental activities of the Board of Health at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board of Health's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board of Health is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Board of Health, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board of Health.

2. Fund Financial Statements

During the year, the Board of Health segregates transactions related to certain Board of Health functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board of Health at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Board of Health uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Board of Health are presented as governmental.

Governmental funds are those through which most governmental functions of the Board of Health are financed. The following are the Board of Health's major governmental funds:

- 1. General Fund** - Accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Board of Health for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Help Me Grow Fund** - The Help Me Grow special revenue fund accounts for federal and state grant monies for the Help Me Grow program. Help Me Grow is a program for expectant parents, newborns, infants, and toddlers. The program focuses on the growth and development of children ages birth to three years and provides newborn home visits and on-going health developmental health services.

The other governmental funds of the Board of Health account for grants and other resources whose use is restricted for a particular purpose.

C. Basis of Accounting

The Board of Health's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board of Health's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Health District are described in the appropriate section in this note.

As a result of the use of this 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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and their related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Health may appropriate. The appropriations resolution is the Board of Health's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board of Health. The legal level of control has been established by the Board of Health at the fund, department, and object level for all funds.

ORC Section 5705.28(C)(1) requires the Board of Health to file an estimate of contemplated revenue and expenses with the municipalities and townships within the Board of Health by about June 1 (forty-five days prior to July 15). The county auditor cannot allocate property taxes from the municipalities and townships within the district if the filing has not been made.

ORC Section 3709.28 establishes budgetary requirements for the Board of Health, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April the Board of Health must adopt an itemized appropriation measure. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the county budget commission. Subject to estimated resources, the Board of Health may, by resolution, transfer appropriations from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board of Health. The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amount reported as the final budgeted amounts represents the final appropriations passed by the Board of Health during the year.

E. Cash and Investments

The County Treasurer is the custodian for the Health District's cash. The County's cash and investment pool holds the Health District's cash, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There are no net assets restricted by enabling legislation as of December 31, 2006.

G. Inventory and Prepaid Items

The Board of Health reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Board of Health reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Board of Health recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

The Board of Health's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

The Board of Health's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

4. PROPERTY TAXES

The County Commissioners serve as a special taxing authority to levy special levies (0.3 mill/10 years and 0.2 mill/10 years) outside the property tax ten-mill limitation to provide the Board of Health with sufficient funds to carry out health programs and general operations. The County Commissioners have placed a countywide levy of 1.0 mill on the ballot that gained approval by the electors of the county.

5. RISK MANAGEMENT

A. Risk Pool Membership

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

The Board of Health 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.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. 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

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. RISK MANAGEMENT (Continued)

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Government 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.

<u>Contributions to PEP</u>	
2004	\$6,103
2005	\$6,228
2006	\$6,190

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.

B. Medical Benefits

The Board of Health provides employee medical benefits through a risk-sharing pool that Shelby County is a participant in. The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays a premium to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

For 2006, the Board of Health, through Shelby County as their fiscal agent, participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the GRP"), an insurance purchasing pool.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. RISK MANAGEMENT (Continued)

The intent of the GRP is to achieve a reduced premium for the Board of Health by virtue of its grouping with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

6. DEFINED PENSION BENEFIT PLANS

The Board of Health 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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, members of all three plans were required to contribute 9 percent of their annual covered salary to fund pension obligations. The Board of Health's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board of Health's required contribution for pension obligations to the traditional, combined, and member directed plans for the years ended December 31, 2006, 2005, and 2004 were \$106,345, \$104,698, and \$92,635, respectively; 91% has been contributed for 2006, 87% for 2005 and 100% for 2004.

7. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

7. POST-EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$52,345. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

8. 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.

9. CONTRACTUAL OBLIGATIONS

The Board of Health is a party to a ten year lease for rental of office space. This lease was effective July 1, 2004 and terminates June 30, 2014. This lease requires the Board of Health to remit monthly payments. The monthly lease payment amount for 2006 was \$2,995 and the payments decline over the life of the lease.

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**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Sidney-Shelby County Board of Health’s financial performance provides an overall review of the Board of Health’s financial activities for the year ended December 31, 2005, within the limitations of the Board of Health’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board of Health’s financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year 2005 are as follows:

- Net assets increased \$107,426. The increase is due to additional tax levy dollars.
- Program specific receipts in the form of charges for services and operating grants and contributions comprise the largest percentage of the Board of Health’s receipts, making up almost 65.8% of all the dollars coming into the District. General receipts in the form of property taxes and miscellaneous income make up the other 34.2%.
- The Board of Health had \$2,006,104 in disbursements during 2005. Increases in disbursements were due to the Help Me Grow program and the Public Health Infrastructure program.

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 Board of Health’s cash basis of accounting.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Board of Health as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Board of Health, presenting both an aggregate view of the Board of Health’s finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Board of Health as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the 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 statements.

Basis of Accounting

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

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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.

REPORTING THE BOARD OF HEALTH AS A WHOLE

The statement of net assets and the statement of activities reflect how the Board of Health did financially during 2005, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balances of the governmental activities of the Board of Health at year end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient of the program’s goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the Board of Health’s general receipts.

These statements report the Board of Health’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 Board of Health’s financial health. Over time, increases or decreases in the Board of Health’s cash position is one indicator of whether the Board of Health’s financial health is improving or deteriorating. When evaluating the Board of Health’s financial condition, you should also consider other non-financial factors as well such as the Board of Health’s property tax base, the condition of the Board of Health’s capital assets, the reliance on non-local financial resources for operations and the need for continued growth.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis present governmental activities, which include all the Board of Health’s services. The Board of Health has no business-type activities.

REPORTING THE BOARD OF HEALTH’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the Board of Health’s major funds – not the Board of Health as a whole. The Board of Health establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the Board of Health are governmental.

Governmental Funds - The Board of Health’s activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the Board of Health’s governmental operations and the health services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board of Health’s health programs. The Board of Health’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Board of Health’s major governmental funds are the General Fund and the Help Me Grow Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

THE BOARD OF HEALTH AS A WHOLE

Table 1 provides a summary of the Board of Health’s net assets for 2005 compared to 2004 on a cash basis:

**Table 1
Net Assets – Cash Basis**

	Governmental Activities		
	2005	2004	Change
Assets			
Cash and Cash Equivalents	\$418,786	\$311,360	\$107,426
Total Assets	<u>418,786</u>	<u>311,360</u>	<u>107,426</u>
Net Assets			
Restricted	156,905	100,053	56,852
Unrestricted	<u>261,881</u>	<u>211,307</u>	<u>50,574</u>
Total Net Assets	<u><u>\$418,786</u></u>	<u><u>\$311,360</u></u>	<u><u>\$107,426</u></u>

As mentioned previously, net assets increased \$107,426. The increase is due primarily to more tax revenue received during 2005.

Table 2 reflects the change in net assets in 2005 and provides a comparison to prior year amounts.

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2005	2004	Change
Receipts			
Program Cash Receipts			
Charges for Services and Sales	\$916,099	\$879,279	\$36,820
Operating Grants and Contributions	474,864	284,174	190,690
Total Program Cash Receipts	<u>1,390,963</u>	<u>1,163,453</u>	<u>227,510</u>
General Receipts			
General Property Taxes	709,548	568,320	141,228
Miscellaneous	13,019	3,292	9,727
Total General Receipts	<u>722,567</u>	<u>571,612</u>	<u>150,955</u>
Total Receipts	<u>2,113,530</u>	<u>1,735,065</u>	<u>378,465</u>
Disbursements			
Public Health Services	1,977,863	1,835,387	142,476
Capital Outlay	28,241	14,205	14,036
Total Disbursements	<u>2,006,104</u>	<u>1,849,592</u>	<u>156,512</u>
Change in Net Assets	107,426	(114,527)	221,953
Net Assets Beginning of Year	<u>311,360</u>	<u>425,887</u>	<u>(114,527)</u>
Net Assets End of Year	<u><u>\$418,786</u></u>	<u><u>\$311,360</u></u>	<u><u>\$107,426</u></u>

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

In 2005, 34.2% of the Board of Health’s total receipts were from general receipts, consisting mainly of property taxes levied for general health district purposes. Program receipts accounted for 65.8% of the Board of Health’s total receipts in fiscal year 2005. These receipts consist primarily of charges for services for nursing contracts to local school districts, birth and death certificates, food service licenses, building permits, aeration permits, immunization fees, and water system permits and state and federal operating grants.

Disbursements for the Board of Health represent the overhead costs of running the District and the support services provided for the other District activities. These include primarily the costs of personnel and personnel support, as the primary product of the District is preventive health services which are labor-intensive.

Capital outlay signifies the disbursements for equipment for use in administering the District’s services.

Governmental Activities

If you look at the Statement of Activities – Cash Basis, you will see that the first column lists the major services provided by the Board of Health. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Board of Health that must be used to provide a specific service. The net cost 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 by taxpayers and miscellaneous income. 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 for both the current and prior years is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Public Health Services	\$1,977,863	\$586,900	\$1,835,387	\$671,934
Capital Outlay	28,241	28,241	14,205	14,205
Totals	\$2,006,104	\$615,141	\$1,849,592	\$686,139

The Board of Health has tried to limit its dependence upon property taxes and local subsidies by actively pursuing Federal grants and charging rates for services that are closely related to costs. Only 30.6% of the Board of Health costs are supported through property taxes and other general receipts.

THE BOARD OF HEALTH’S FUNDS

As noted earlier, the Board of Health uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the Board of Health’s governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the Board of Health’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Board of Health’s net resources available for spending at the end of the year.

At the end of 2005, the Board of Health’s governmental funds reported total ending fund balances of \$418,786. \$418,786 of the total is unreserved fund balance, which is available for spending.

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets – Cash Basis due to their being restricted for use for a particular purpose mandated by the source of the resources such as the state and federal governments.

The general fund is the chief operating fund of the Board of Health. At the end of 2005, unreserved fund balance in the general fund was \$261,881. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 26.7% of the total general fund expenditures.

Revenues exceeded expenditures in the general fund by \$85,456 in 2005. License and permit fees and charges for services accounted for 26.4% of revenues in the general fund. Intergovernmental revenues consist of state subsidies and grants. Environmental health accounts for the majority of expenditures in the general fund.

The Help Me Grow special revenue fund accounts for federal and state grant monies for the Help Me Grow program. Help Me Grow is a program for expectant parents, newborns, infants, and toddlers. The program focuses on the growth and development of children ages birth to three years and provides newborn home visits and on-going health developmental health services. At the end of 2005 the total fund balance was \$40,430.

GENERAL FUND BUDGETING HIGHLIGHTS

The Board of Health's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2005, the Board of Health amended its appropriations several times, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final estimated receipts and appropriations.

CAPITAL ASSETS

The Board of Health does not currently keep track of its capital assets and infrastructure. The Board of Health has not made plans to track this, as it is not required by current law.

DEBT

At December 31, 2005, the Board of Health's outstanding debt included future lease payments for the office facility and large office equipment, as well as accumulated sick and vacation leave balances for the Board of Health's employees. For further information regarding the Board of Health's debt, refer to the notes to the basic financial statements.

CONTACTING THE BOARD OF HEALTH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Health Board of Health's finances and to reflect the Board of Health'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 Robert M. Mai, Health Commissioner, Sidney-Shelby County Health District, 202 W. Poplar Street, Sidney, OH 45365.

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**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	
Cash Equivalents	\$418,876
Total Assets	<u><u>\$418,876</u></u>
Net Assets	
Restricted for:	
Other Purposes	156,905
Unrestricted	261,881
Total Net Assets	<u><u>\$418,786</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Health	\$1,977,863	\$916,099	\$474,864	(\$586,900)
Capital Outlay	28,241			(28,241)
Total Governmental Activities	\$2,006,104	\$916,099	\$474,864	(\$615,141)
General Receipts				
Property Taxes Levied for:				
General Purposes				709,548
Miscellaneous				13,019
Total General Receipts				722,567
Change in Net Assets				107,426
Net Assets Beginning of Year				311,360
Net Assets End of Year				\$418,786

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Help Me Grow	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$261,881	\$40,430	\$116,475	\$418,786
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	261,881			261,881
Special Revenue Funds		40,430	116,475	156,905
Total Fund Balances	\$261,881	\$40,430	\$116,475	\$418,786

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Help Me Grow</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$709,548			\$709,548
Intergovernmental	61,929	\$112,192	\$241,334	415,455
Local Grant Funding	2,000		57,409	59,409
Licenses, Permits, and Fees	116,417		372,528	488,945
Charges for Services	165,017	162,043	100,094	427,154
Miscellaneous	11,770		1,249	13,019
Total Receipts	<u>1,066,681</u>	<u>274,235</u>	<u>772,614</u>	<u>2,113,530</u>
Disbursements				
Health	977,113	273,973	726,777	1,977,863
Capital Outlay	4,112	500	23,629	28,241
Total Disbursements	<u>981,225</u>	<u>274,473</u>	<u>750,406</u>	<u>2,006,104</u>
Excess of Receipts Over (Under) Disbursements	85,456	(238)	22,208	107,426
Other Financing Sources (Uses)				
Advance In	48,000	15,000	31,000	94,000
Advance Out	<u>(46,000)</u>	<u>(15,000)</u>	<u>(33,000)</u>	<u>(94,000)</u>
Total Other Financing Sources (Uses)	<u>2,000</u>	<u></u>	<u>(2,000)</u>	<u></u>
Net Change in Fund Balances	87,456	(238)	20,208	107,426
Fund Balances Beginning of Year	<u>174,425</u>	<u>40,668</u>	<u>96,267</u>	<u>311,360</u>
Fund Balances End of Year	<u><u>\$261,881</u></u>	<u><u>\$40,430</u></u>	<u><u>\$116,475</u></u>	<u><u>\$418,786</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$702,300	\$702,300	\$709,548	\$7,248
Intergovernmental	33,500	33,500	61,929	28,429
Local Grant Funding			2,000	2,000
Licenses, Permits, and Fees	103,775	103,775	116,417	12,642
Charges for Services	160,700	160,700	165,017	4,317
Miscellaneous	6,025	6,025	11,770	5,745
Total Revenues	<u>1,006,300</u>	<u>1,006,300</u>	<u>1,066,681</u>	<u>60,381</u>
Expenditures				
Current:				
Health	1,077,400	1,077,400	977,113	100,287
Capital Outlay			4,112	(4,112)
Total Expenditures	<u>1,077,400</u>	<u>1,077,400</u>	<u>981,225</u>	<u>96,175</u>
Excess of Revenues Over (Under) Expenditures	(71,100)	(71,100)	85,456	156,556
Other Financing Sources (Uses)				
Advances In		48,000	48,000	
Advances Out		(46,000)	(46,000)	
Total Other Financing Sources (Uses)		<u>2,000</u>	<u>2,000</u>	
Net Change in Fund Balance	(71,100)	(69,100)	87,456	156,556
Fund Balance Beginning of Year	<u>174,425</u>	<u>174,425</u>	<u>174,425</u>	
Fund Balance End of Year	<u><u>\$103,325</u></u>	<u><u>\$105,325</u></u>	<u><u>\$261,881</u></u>	<u><u>\$156,556</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
HELP ME GROW FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$101,900	\$101,900	\$112,192	\$10,292
Charges for Services	167,300	167,300	162,043	(5,257)
Total Revenues	<u>269,200</u>	<u>269,200</u>	<u>274,235</u>	<u>5,035</u>
Expenditures				
Current:				
Help Me Grow	281,940	281,940	273,973	7,967
Capital Outlay			500	(500)
Total Expenditures	<u>281,940</u>	<u>281,940</u>	<u>274,473</u>	<u>7,467</u>
Excess of Revenues Over (Under) Expenditures	(12,740)	(12,740)	(238)	12,502
Other Financing Sources (Uses)				
Advances In		15,000	15,000	
Advances Out		(15,000)	(15,000)	
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(12,740)	(12,740)	(238.00)	12,502
Fund Balance Beginning of Year	<u>40,668</u>	<u>40,668</u>	<u>40,668</u>	
Fund Balance End of Year	<u><u>\$27,928</u></u>	<u><u>\$27,928</u></u>	<u><u>\$40,430</u></u>	<u><u>\$12,502</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

1. DESCRIPTION OF THE GENERAL HEALTH DISTRICT AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Sidney-Shelby County, (the District) as a body corporate and politic.

A five-member Board and a Health Commissioner govern the District which provides health services and issues health-related licenses and permits. They also act upon various complaints made to the District concerning the health and welfare of the County.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations ensuring that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. This includes general operations, immunization, vital statistics, health related licenses and permits, disease prevention and control, homemaker and public health nursing.

B. Public Entity Risk Pools

The Board of Health, through the it's fiscal agent Shelby County, participates in the Public Entities Pool of Ohio (PEP) and the Midwest Employee Benefit Consortium (MEBC) public entity risk pools. Note 5 to the financial statements provides additional information for these entities.

The Board of Health's management believes these basic financial statements present all activities for which the Board of Health is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Board of Health's accounting policies.

A. Basis of Presentation

The Board of Health's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board of Health as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Board of Health that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Board of Health has no business-type activities.

The statement of net assets presents the cash balances, of the governmental activities of the Board of Health at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board of Health's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board of Health is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Board of Health, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board of Health.

2. Fund Financial Statements

During the year, the Board of Health segregates transactions related to certain Board of Health functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board of Health at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Board of Health uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Board of Health are presented as governmental.

Governmental funds are those through which most governmental functions of the Board of Health are financed. The following are the Board of Health's major governmental funds:

- 1. General Fund** - Accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Board of Health for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Help Me Grow Fund** - The Help Me Grow special revenue fund accounts for federal and state grant monies for the Help Me Grow program. Help Me Grow is a program for expectant parents, newborns, infants, and toddlers. The program focuses on the growth and development of children ages birth to three years and provides newborn home visits and on-going health developmental health services.

The other governmental funds of the Board of Health account for grants and other resources whose use is restricted for a particular purpose.

C. Basis of Accounting

The Board of Health's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Board of Health's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Health District are described in the appropriate section in this note.

As a result of the use of this 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 certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and their related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Health may appropriate. The appropriations resolution is the Board of Health's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board of Health. The legal level of control has been established by the Board of Health at the fund, department, and object level for all funds.

ORC Section 5705.28(C)(1) requires the Board of Health to file an estimate of contemplated revenue and expenses with the municipalities and townships within the Board of Health by about June 1 (forty-five days prior to July 15). The county auditor cannot allocate property taxes from the municipalities and townships within the district if the filing has not been made.

ORC Section 3709.28 establishes budgetary requirements for the Board of Health, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April the Board of Health must adopt an itemized appropriation measure. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the county budget commission. Subject to estimated resources, the Board of Health may, by resolution, transfer appropriations from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board of Health. The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amount reported as the final budgeted amounts represents the final appropriations passed by the Board of Health during the year.

E. Cash and Investments

The County Treasurer is the custodian for the Health District's cash. The County's cash and investment pool holds the Health District's cash, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the County.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. There were no net net assets restricted by enabling legislation as of December 31, 2005.

G. Inventory and Prepaid Items

The Board of Health reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Board of Health reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Board of Health recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

The Board of Health's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

The Board of Health's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

4. PROPERTY TAXES

The County Commissioners serve as a special taxing authority to levy special levies (0.3 mill/10 years and 0.2 mill/10 years) outside the property tax ten-mill limitation to provide the Board of Health with sufficient funds to carry out health programs and general operations. The County Commissioners have placed a countywide levy of 1.0 mill on the ballot that gained approval by the electors of the county.

5. RISK MANAGEMENT

A. Risk Pool Membership

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

The Board of Health 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.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. 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	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. RISK MANAGEMENT (Continued)

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Government 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.

<u>Contributions to PEP</u>	
2004	\$6,103
2005	\$6,228
2006	\$6,190

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.

B. Medical Benefits

The Board of Health provides employee medical benefits through a risk-sharing pool that Shelby County is a participant in. The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays a premium to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

5. RISK MANAGEMENT (Continued)

C. County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

For 2005, the Board of Health, through Shelby County as their fiscal agent, participated in the County/Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the GRP"), an insurance purchasing pool.

The intent of the GRP is to achieve a reduced premium for the Board of Health by virtue of its grouping with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than the individual rate.

6. DEFINED PENSION BENEFIT PLANS

The Board of Health 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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Board of Health's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board of Health's required contribution for pension obligations to the traditional, combined, and member directed plans for the years ended December 31, 2005, 2004, and 2003 were \$104,698, \$92,635, and \$79,472, respectively; 87% has been contributed for 2005, and 100% for 2004 and 2003.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

7. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers".

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Board of Health contributions for 2005 which were used to fund postemployment benefits were \$43,852. The actual contribution and the actuarial required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

8. 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.

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

9. CONTRACTUAL OBLIGATIONS

The Board of Health is a party to a ten year lease for rental of office space. This lease was effective July 1, 2004 and terminates June 30, 2014. This lease requires the Board of Health to remit monthly payments. The monthly lease payment amount for 2005 was \$3,044 and the payments decline over the life of the lease.



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*

Sidney - Shelby County Board of Health
Shelby County
202 West Poplar Street
Sidney, Ohio 45365

To the Board of Health:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney - Shelby County Board of Health, Shelby County, (the Board of Health) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Board of Health's basic financial statements and have issued our report thereon dated October 11, 2007. 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 Board of Health's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Board of Health's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board of Health'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 Board of Health'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 Board of Health'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: 2006-001.

**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 Board of Health'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. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Board of Health's management in a separate letter dated October 11, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Board of Health's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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

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



Mary Taylor, CPA
Auditor of State

October 11, 2007

**SIDNEY – SHELBY COUNTY BOARD OF HEALTH
SHELBY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Citation/Significant Deficiency

Ohio Rev. Code Section 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Several records for the 2006 and 2005 billing information for immunizations could not be located for audit. By not following the guidelines per the Ohio Revised Code, essential information for the operation of the Board of Health may not be available as needed.

Furthermore, information sheets maintained for the immunization records were often incomplete. The information sheet documents the person receiving the shots, the shots to be administered and the amount paid, the date paid, and the receipt number. These shots are then filed by date the shots were administered. If a clinic is held, then the sheets completed at the clinic are grouped together. Also, if someone states that they cannot pay for the immunizations, there are no questions asked and the staff does not charge them.

Upon completion of testing, it was noted that the receipt, amount paid, or date paid was not always reported on the client information sheets. Therefore, it was difficult to determine if a patient had paid. Failing to complete all information on the client information sheets could lead to errors and irregularities that could go undiscovered in the normal course of business.

The Board should establish procedures to ensure that all revenue received from the administration of the immunizations is received. This includes documenting all pertinent information such as the date paid, amount paid, and the receipt number on the client information sheets. When clinics are held, a log of all patients receiving immunizations should be maintained. The client information sheets should then be compared to the log to make sure that all forms are on file. A reconciliation should then be performed. This reconciliation should document the total possible revenue to be collected based on the number of shots issued, the actual amount collected, and then the total "charges." These procedures will help improve accountability for the revenue received for immunizations.

Client Response

Sidney-Shelby County Health Department already has procedures in place and in most instances the staff follows these procedures. However, as a result of the State Audit, it is apparent that some staff need additional training and orientation on procedures. This matter will be followed-up on immediately.



Mary Taylor, CPA
Auditor of State

SIDNEY- SHELBY COUNTY BOARD OF HEALTH
SHELBY 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
NOVEMBER 8, 2007