

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**Audit Report**

**Year Ended December 31, 2010**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Directors  
General Health District  
P.O. Box 1503  
219 East Market Street  
Lima, Ohio 45802

We have reviewed the *Report of Independent Accountants* of the General Health District, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 16, 2011

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**General Health District  
Allen County  
Audit Report  
For the Year Ended December 31, 2010**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Members of the Board:

We have audited the accompanying financial statements of the General Health District, Allen County, (the District) as of and for the year ended December 31, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2010. Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The following paragraph does not imply the amounts reported materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

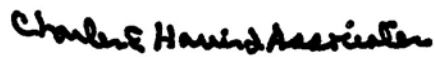
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2010, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the General Health District, Allen County, as of December 31, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



*Charles E. Harris & Associates, Inc.*  
April 21, 2011



GENERAL HEALTH DISTRICT  
ALLEN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	All Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Federal Grants	\$ 1,638	\$ 1,590,470	\$ 1,592,108
State Grants and Subsidies	126,469	198,978	325,447
Subdivision Revenue	776,696	-	776,696
Permits	-	22,594	22,594
Fees	754,450	175,759	930,209
Licenses	12,805	292,082	304,887
Contractual Services	115,157	128,429	243,586
Miscellaneous	10,857	-	10,857
<b>Total Cash Receipts</b>	<b>1,798,072</b>	<b>2,408,312</b>	<b>4,206,384</b>
<b>Cash Disbursements:</b>			
Current:			
Salaries	845,433	1,356,958	2,202,391
Retirement	140,060	189,979	330,039
Medicare Tax	8,591	19,183	27,774
Health and Life Insurance	163,369	228,141	391,510
Workers' Compensation	5,030	9,425	14,455
Unemployment Compensation	6,885	-	6,885
Supplies	103,609	140,342	243,951
Remittances to State	205,380	78,788	284,168
Equipment	29,170	77,002	106,172
Contracts - Services	41,748	62,183	103,931
Travel	12,402	20,907	33,309
Utilities and Rentals	115,892	48,207	164,099
Other	50,986	143,883	194,869
<b>Total Cash Disbursements</b>	<b>1,728,555</b>	<b>2,374,998</b>	<b>4,103,553</b>
<b>Total Receipts Over(Under) Disbursements</b>	<b>69,517</b>	<b>33,314</b>	<b>102,831</b>
<b>Other Financing Receipts/(Disbursements)</b>			
Transfers-In	-	135,000	135,000
Transfers-Out	(135,000)	-	(135,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(135,000)</b>	<b>135,000</b>	<b>-</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(65,483)</b>	<b>168,314</b>	<b>102,831</b>
<b>Fund Balance 1/1/2010</b>	<b>274,177</b>	<b>99,675</b>	<b>373,852</b>
<b>Fund Balance 12/31/2010</b>	<b>\$ 208,694</b>	<b>\$ 267,989</b>	<b>\$ 476,683</b>

See accompanying Notes to the Financial Statements.

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

As required by the Ohio Revised Code, the Allen County Treasurer is custodian for the District's deposits. The County's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

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

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 budgetary activity appears in Note 2.

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

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

**G. Accumulated Leave**

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

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 follows:

<b>2010 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$1,671,281	\$1,798,072	\$126,791
Special Revenue	2,380,067	2,543,312	163,245

<b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,863,555	\$ 1,863,555	\$ -
Special Revenue	2,374,998	2,374,998	-

**3. INTERGOVERNMENTAL FUNDING**

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

**4. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2010, OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. For the year ended December 31, 2010, all payments were up-to-date.

**5. CONTRACTUAL OBLIGATIONS**

The District is a party to a twenty year lease for rental of office space. This lease was effective November 1, 1991 and terminates October 31, 2011. The lease requires the District to remit monthly payments on the first day of each month. The lease payments were fixed for the first five years at \$78,599 per year. At the end of the first five years, the lease rental payments increased by five percent to \$82,425 per year and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payment increased by five percent to \$86,546 and will remain fixed through the fifteenth year.

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**5. CONTRACTUAL OBLIGATIONS (Continued)**

At the end of the fifteenth year, the lease rental payments increased by five percent to \$90,874 per year and will remain fixed through the conclusion of the original lease. Total payments required to fulfill this lease as of December 31, 2010 are \$75,728.

During 1993, an amendment was attached to the above lease agreement. Construction was performed on the building to provide additional office space for the WIC division. The additional lease was effective July 21, 1993 and terminates October 31, 2011. The lease requires the District to remit monthly payments of \$325. At the end of the first five years, the lease rental payments increased by five percent to \$341.25 and will remain fixed through the tenth year. At the end of the tenth year, the lease rental payments increased by five percent to \$358.32 and will remain fixed through the fifteenth year. At the end of the fifteenth year, the lease rental payments increased by five percent to \$376.24 and will remain fixed through the conclusion of the lease. Total payments required to fulfill this lease as of December 31, 2010 are \$3,762.40.

During 2010, the District entered into an agreement for the rental of space for the WIC Division. The lease was effective October 1, 2010 and terminates September 30, 2011. The lease amount is \$2,200 per month. Total payments required to fulfill this lease as of December 31, 2010 are \$26,400.

**6. RISK MANAGEMENT**

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

<b>Company</b>	<b>Type of Coverage</b>	<b>Maximum</b>	<b>Deductible</b>
Indiana Insurance	Business Personal Property (90% co-insurance)	\$338,990	\$ 250
	Extra Expense	51,500	250
	Commercial Crime	20,000	250
	Electronic Data Processing	116,000	250
	Auto Liability/Uninsured Motorists	1,000,000	250
CNA Insurance	Dishonesty/Forgery/Alteration	10,000 per occurrence	1,000

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

**Risk Pool Membership**

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

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Casualty Insurance**

PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

**Property Insurance**

Beginning in 2005, Travelers reinsures specific losses exceeding \$500,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Financial Position** - PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (latest information available).

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.8 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2009 and 2008, respectively.

These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$9,700. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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

<b>Contribution to PEP</b>	
2008	\$ 9,057
2009	9,120
2010	9,736

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

**7. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

a. Contingencies

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

b. Commitments

On February 14, 2011, the General Health District of Allen County entered into an agreement to purchase property located at 219 E. Market St., Lima Ohio 45802. The building currently houses the Health District's administrative offices. The purchase price is \$450,000. The Health District has obtained financing from the Union Bank, Columbus Grove, Ohio. The loan is scheduled to be repaid over twenty (20) years. The interest rate for the first ten years of the loan is 4.67% and will be adjusted for the last ten years of the loan. The initial monthly payment is \$5,163.

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(Continued)**

**8. TRANSFERS**

During 2010 the District made the following transfers:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -0-	\$ 135,000
Special Revenue Funds:		
Contingency Fund	122,000	-0-
Severance Fund	13,000	-0-
Total	<u>\$ 135,000</u>	<u>\$ 135,000</u>

The transfers represent the allocation of unrestricted receipts collected in the General Fund to support future obligations accounted for in other funds in accordance with budgetary authorizations.



**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through Ohio Department of Health:</b>			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	WA-03-10 WA-03-11	10.557	\$ 520,904 141,486
Total U.S. Department of Agriculture			<u>662,390</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed Through Ohio Department of Health:</b>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	BC-01-10 BC-01-10	93.283	34,769 <u>39,140</u>
Total			73,909
Public Health Emergency Preparedness	PI-01-10 PI-01-11	93.069	82,630 40,168
Public Health Emergency Response - H1N1	PI-01-10 PI-01-10	93.069	166,613 <u>159,636</u>
Total Public Health Emergency Preparedness			449,047
Preventive Health and Health Services Block Grant Cardiovascular Disease Grant	CH-01-09 CH-01-10	93.991	2,411 <u>87,046</u>
Total Preventive and Health Services			89,457
Maternal and Child Health Services Block Grant to States	MC - 03-10 MC - 03-10	93.994	50,692 <u>106,524</u>
Total Maternal and Child Health Services			157,216
Family Planning Services	FP-01-10 FP-01-10 FP-02-11	93.217	16,950 49,704 <u>61,845</u>
Total Family Planning Services			128,499
Immunization Grant	IM-02-10	93.268	<u>60,772</u>
Total U.S. Department of Health and Human Services			<u>958,900</u>
Total Federal Financial Assistance			<u>\$ 1,621,290</u>

*See accompanying Notes to the Schedule of Federal Awards Expenditures.*

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – COMMINGLING**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Members of the Board:

We have audited the financial statements of the General Health District, Allen County (the District), as of and for the year ended December 31, 2010, and have issued our report thereon dated April 21, 2011, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-AGHD-001 described in the accompanying schedule of findings to be a material weakness.

## Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain internal control matter that we reported to the District's management in a separate letter dated April 21, 2011.

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



*Charles E. Harris & Associates, Inc.*

April 21, 2011

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614 W Superior Ave Ste 1242  
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Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Members of the Board:

Compliance

We have audited the compliance of the General Health District, Allen County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are apply to each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as item 2010-AGHD-001.

## Internal Control Over Compliance

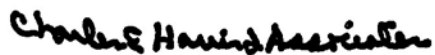
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-AGHD-001 to be a material weakness.

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

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



***Charles E. Harris & Associates, Inc.***

April 21, 2011

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY  
December 31, 2010**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	GAAP: Adverse Regulatory Basis: Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	Yes
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	CFDA # 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)  CFDA # 93.069 Public Health Emergency Preparedness
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**SCHEDULE OF FINDINGS – (continued)  
OMB CIRCULAR A-133 SECTION .505**

**GENERAL HEALTH DISTRICT  
ALLEN COUNTY  
DECEMBER 31, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-AGHD-001**

See (federal) finding 2010-AGHD-001 below; that finding is also required to be reported under GAGAS.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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Finding Number	2010-AGHD-001
CFDA Title and Number	CFDA # 93.069 Public Health Emergency Preparedness CFDA #10.557 Special Supplemental Nutritional Program for Women, Infants, and Children
Federal Award Number/Year	PI-01-10, PI-01-11, WA-03-10, WA-03-11
Federal Agency	U.S. Department of Health and Human Services; U.S. Department of Agriculture
Pass – Through Agency	Ohio Department of Health

Noncompliance – Material Weakness – Proper Accounting for Grant Funds

**28 CFR Subpart C, Section 70.21(a) (2)** states that recipients must relate financial data to performance data and development unit cost information whenever practical. The recipient’s financial management systems must provide records that identify adequately the source and application of funds for Federally-sponsored activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Separate funds were not maintained for each federal grant nor were the expenditure transactions related to each grant reported within the related fund in the accounting system. Transfers were made from all grant funds and various other funds to the General Fund to pay the payroll related costs which were paid entirely from the General Fund. Separate excel spreadsheets were maintained to show the appropriate expenditures from each fund.

The County Auditor, fiscal agent for the District, has a very capable accounting software system that can easily maintain receipts and expenditures for each fund. The County Auditor’s system can account for payroll transactions for employees whose time is charged to more than one fund. The District would not have to prepare excel spreadsheets to accurately account for payroll expenditures. The District should account for each fund separately thus allowing the District’s financial statements to equal the County Auditor’s Fund Balance Report for each fund.

**Corrective Action Plan Discussed with Director of Finance:** The District has established separate funds for each Federal grant in 2011.



**GENERAL HEALTH DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
DECEMBER 31, 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	28 CFR Subpart C, Section 70.21(a)(2); Separate funds were not maintained for each Federal grant.	No	Repeated as Finding # 2010-AGHD-002

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# Dave Yost • Auditor of State

**ALLEN GENERAL HEALTH DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 28, 2011**