



Dave Yost • Auditor of State

**LORAIN COUNTY GENERAL HEALTH DISTRICT
LORAIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Lorain County General Health District
Lorain County
9880 South Murray Ridge Road
Elyria, Ohio 44035

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 Lorain County General Health District, Lorain County, Ohio (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 Lorain County General Health District, Lorain County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and WIC funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Lorain County General Health District adopted Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*."

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The schedule of federal awards expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 21, 2012

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)

Management's discussion and analysis of the Lorain County General Health District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2011, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities increased \$ 933,707 or 15.0 percent during 2011.

The largest source of District revenue was from voted property tax receipts. These receipts represented 44.2 percent of total revenue. Grants, entitlements and contributions provided the second largest source of revenue, representing 32.1 percent of total revenue.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the District as a whole. Fund financial statements provide a greater level of detail. Funds segregate money based on legal regulations or for specific purposes. These statements present financial information by fund, presenting major funds in separate columns. The notes to the basic financial statements are an integral part of the District-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. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts are recognized when received, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

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.

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)

Reporting the Health District as a Whole

The Statement of Net Assets and The Statement of Activities reflect how the District did financially during 2011. The Statement of Net Assets presents the cash balances of the governmental type activities of the District at year-end. The Statement of Activities compares cash disbursements with program receipts for each Governmental program activity. Program receipts include charges paid by the recipient for 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 cash disbursements with program receipts identifies how each Governmental function draws from the District's general receipts.

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

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds, not the District as a whole. The District establishes separate funds to manage its many activities and to help demonstrate that money that is restricted in its use is spent for the intended purpose.

All of the District's activities are reported as governmental activities. Governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine the availability of financial resources to support the District's programs. The District's major Governmental funds have separate columns on the financial statements. The District's major Governmental funds are the General Fund and the Women, Infants and Children (WIC) Fund. The programs reported in Governmental funds are those reported in the Governmental activities section of the entity-wide statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)

The District as a Whole

Table 1 provides a summary of the District's net assets for 2011 compared to 2010 on a cash basis:

TABLE 1
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Equity in pooled cash	\$ 7,165,322	\$ 6,231,615
Total assets	<u>7,165,322</u>	<u>6,231,615</u>
Net assets		
Restricted for special purposes	417,708	471,405
Unrestricted	<u>6,747,614</u>	<u>5,760,210</u>
Total net assets	<u>\$ 7,165,322</u>	<u>\$ 6,231,615</u>

As mentioned previously, net assets of Governmental activities increased \$ 933,707 during 2011. The increase was primarily associated with the General Fund, which increased to \$ 987,404.

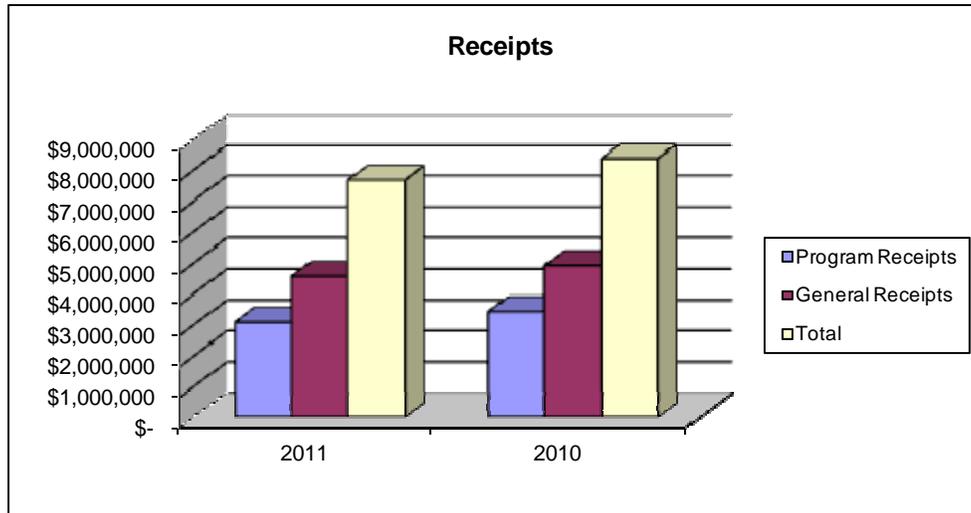
Table 2 reflects the changes in net assets in 2011 compared to 2010 on a cash basis.

Table 2
Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Receipts		
Program receipts		
Charges for services and sales	\$ 1,479,975	\$ 1,518,294
Operating grants and contributions	1,618,256	1,921,811
Total program receipts	<u>3,098,231</u>	<u>3,440,105</u>
General receipts		
Property and other local taxes	3,391,305	3,348,714
Grants and entitlements	845,766	1,163,132
Miscellaneous	342,415	424,739
Total general receipts	<u>4,579,486</u>	<u>4,936,585</u>
Total receipts	<u>7,677,717</u>	<u>8,376,690</u>
Disbursements		
Public health services	<u>6,744,010</u>	<u>6,964,754</u>
Excess of receipts over disbursements	933,707	1,411,936
Net assets, beginning of year	<u>6,231,615</u>	<u>4,819,679</u>
Net assets, end of year	<u>\$ 7,165,322</u>	<u>\$ 6,231,615</u>

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)



Program receipts in 2011 represent 40.4 percent of total receipts as compared to 41.1 percent in 2010. These receipts are primarily comprised of restricted intergovernmental receipts and fees received for home health services, immunizations, inspections, and food service licenses.

General receipts represent 59.6 percent of the District's total receipts, and of this amount, 74.1 percent are local taxes.

Governmental Activities

If one looks at the Statement of Activities, the first column lists the major service provided by the District. The next column identifies the costs of providing that service. The major program disbursements for governmental activities are for public health services. The next two columns of the Statement entitled Program Receipts identify amounts collected through fees and grants received by the District that have a restricted use. The Net (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the services that expend general receipts, the source of which to a significant extent is the local taxpayer. A comparison between the total cost of services and the net cost is presented below.

Table 3
Governmental Activities

	Total Cost of Services	Program Receipts	Net Cost of Services
Public health services	\$ 6,744,010	\$ 3,098,231	\$ 3,645,779

Property taxes and other general receipts support 67.9 percent of the governmental activities.

The District's Funds

Total Governmental funds had receipts of \$ 7,677,717 and disbursements of \$ 6,744,010. The greatest change within Governmental funds occurred within the General Fund. The General Fund balance increased by \$ 987,404 in 2011, as compared to an increased by \$ 1,472,268 in 2010.

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)

General Fund Budget Highlights

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

During 2011, the Board of Health amended the General Fund budget as necessary to reflect incremental revenues and corresponding expenditures. The Health Commissioner approves all adjustments to categories within the Board approved appropriations.

Final budgeted receipts were \$ 19,428 higher than originally budgeted. Actual receipts were less than final budget receipts by \$ 1,864. The final disbursements budget was \$ 70,462 lower than originally budgeted, while actual disbursements were \$ 642,852 less than final appropriations.

Capital Assets and Debt Administration

Capital Assets

The District currently tracks its capital assets. However, since the financial statements are presented on a cash basis, capital assets are not reflected on the District's financial statements. Instead, the acquisitions of property, plant and equipment are recorded as disbursements when paid.

Debt

The District has no debt obligations.

Current Issues

Lorain County continues to suffer from a depressed economy that impacts the operations of the District through declines in income generated from home sewage treatment system installation requests and an increase in requests for immunization services from individuals with an inability to pay for the services. The District experienced significant reductions in income from influenza administration, likely due to a mild flu season over the past several years and local pharmacies providing "walk-in" clinics. Support for some of the Federal programs and grants are experiencing a decline. For example, the Women's, Infants and Children's Supplemental Nutrition Program will have a \$ 23,000 reduction in 2012 and further reductions in 2013. The economy also impacted the tax collections, causing a reduction in tax income received in 2011. While the decline in income did not significantly impact the operations or financial stability of the District, if these trends continue the District will need to respond in the future. Precautionary actions have been taken by delaying the replacements of some retired staff members until more information on the financial trends are available. Any replacement of retired staff has provided expenditure reliefs due to the new staff salaries not being as high as the retiring staff members.

LORAIN COUNTY GENERAL HEALTH DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

(UNAUDITED)

2012 is the final year of the 1 mil, 5 year Public Health Levy. A renewal levy was passed on March 6, 2012 which will provide sustainable core income for the subsequent 5 years. In spite of the local economy, the District has continued to experience positive financial status. Declines in tax collections and economic influences on income have been offset by staff attrition and the use of conservative expenditures management. In addition, the District has received increased Federal support for emergency response and H1N1 activities over the past two years. These funds have provided significant income and financial stability to the District over and above our current level. It is expected that this temporary increase in surplus funds will diminish over time as demand for services increase and public health standards change.

The District installed Voice Over Internet Protocol (VOIP) phones in the Fall of 2011. The District used grant funds to fund most of the infrastructure and training. The extended benefit to the District will be a substantial reduction in phone charges, phone line assessments and long distance expenditures.

The District is currently in the process of exploring the possibility of consolidating all of the health districts located in Lorain County. The community leaders' research will determine whether efficiencies and effectiveness will be realized with the potential combination. If this proposed combination is agreed upon, the growth of the organization and the increase in demands for services will cause significant adjustments in staffing needs, office space, technology infrastructure and some modifications of service delivery.

The District is preparing for the National Public Health Accreditation process that is scheduled to begin in 2012. Staff reorganization, quality improvement processes and business process modeling are components of the accreditation process and require additional resources and effort.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report or need additional information, contact Kenneth G. Pearce, M.P.H. at Lorain County General Health District, 9880 S. Murray Ridge Road, Elyria, Ohio 44035, or by telephone at 440-284-3219.

LORAIN COUNTY GENERAL HEALTH DISTRICT
 STATEMENT OF NET ASSETS – CASH BASIS
 DECEMBER 31, 2011

	Governmental Activities
Assets	
Equity in pooled cash	\$ 7,165,322
Total assets	7,165,322
 Net assets	
Restricted for special purposes	417,708
Unrestricted	6,747,614
Total net assets	\$ 7,165,322

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental activities				
Public health services	\$ 6,744,010	\$ 1,479,975	\$ 1,618,256	\$ (3,645,779)
General receipts				
Property taxes levied for:				
General purposes				3,391,305
Grants and entitlements not restricted to specific purposes				845,766
Miscellaneous				342,415
Total general receipts				<u>4,579,486</u>
Change in net assets				933,707
Net assets at beginning of year				6,231,615
Net assets at end of year				<u>\$ 7,165,322</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT

STATEMENT OF CASH BASIS ASSETS AND
FUND BALANCES – GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General Fund	WIC Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Equity in pooled cash	\$ 6,747,614	\$ 103,502	\$ 314,206	\$ 7,165,322
Total assets	<u>6,747,614</u>	<u>103,502</u>	<u>314,206</u>	<u>7,165,322</u>
Fund balances				
Restricted	-	103,502	314,206	417,708
Assigned	243,573	-	-	243,573
Unassigned	6,504,041	-	-	6,504,041
Total fund balances	<u>\$ 6,747,614</u>	<u>\$ 103,502</u>	<u>\$ 314,206</u>	<u>\$ 7,165,322</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH BASIS FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	WIC Fund	Other Governmental Funds	Totals Governmental Funds
Receipts				
Taxes	\$ 3,391,305	\$ -	\$ -	\$ 3,391,305
Intergovernmental				
Federal	-	847,586	701,567	1,549,153
State and local	1,149,612	-	40,100	1,189,712
Charges for services				
Home health services	41,580	-	-	41,580
Immunizations	144,799	-	-	144,799
Inspection fees	56,964	-	-	56,964
Contractual services	474,219	-	-	474,219
Licenses	66,278	-	294,272	360,550
Miscellaneous				
Other receipts	6,694	-	85,675	92,369
Other fees	268,388	-	-	268,388
Refunds	108,678	-	-	108,678
Total receipts	<u>5,708,517</u>	<u>847,586</u>	<u>1,121,614</u>	<u>7,677,717</u>
Disbursements				
Salaries and benefits	3,610,352	789,222	655,398	5,054,972
Travel	74,646	8,828	12,376	95,850
Office supplies	37,617	6,346	3,654	47,617
Medical supplies	107,370	3,365	45,000	155,735
Equipment	88,418	440	103,961	192,819
Contracts - repair/service	296,636	-	235,376	532,012
Distribution to state	166,953	-	65,097	232,050
Other expenditures	339,121	28,860	64,974	432,955
Total disbursements	<u>4,721,113</u>	<u>837,061</u>	<u>1,185,836</u>	<u>6,744,010</u>
Excess receipts over (under) disbursements	<u>987,404</u>	<u>10,525</u>	<u>(64,222)</u>	<u>933,707</u>
Other financing sources (uses)				
Transfers in	-	-	10,300	10,300
Transfers out	-	(10,300)	-	(10,300)
Advances in	75,000	-	75,000	150,000
Advances out	(75,000)	-	(75,000)	(150,000)
Total other financing sources (uses)	<u>-</u>	<u>(10,300)</u>	<u>10,300</u>	<u>-</u>
Net change in fund balances	987,404	225	(53,922)	933,707
Fund balance, beginning of year	<u>5,760,210</u>	<u>103,277</u>	<u>368,128</u>	<u>6,231,615</u>
Fund balance, end of year	<u>\$ 6,747,614</u>	<u>\$ 103,502</u>	<u>\$ 314,206</u>	<u>\$ 7,165,322</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS) – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Receipts				
Taxes	\$ 3,691,372	\$ 3,391,258	\$ 3,391,305	\$ 47
Intergovernmental				
State and local	738,281	1,149,523	1,149,612	89
Charges for services				
Home health services	45,000	45,000	41,580	(3,420)
Immunizations	215,000	150,000	144,799	(5,201)
Inspection fees	55,000	55,000	56,964	1,964
Contractual services	475,000	475,000	474,219	(781)
Licenses	65,000	63,000	66,278	3,278
Miscellaneous				
Other receipts	6,300	6,600	6,694	94
Other fees	280,000	270,000	268,388	(1,612)
Refunds	120,000	105,000	108,678	3,678
Total receipts	<u>5,690,953</u>	<u>5,710,381</u>	<u>5,708,517</u>	<u>(1,864)</u>
Disbursements				
Salaries and benefits	4,205,500	3,935,100	3,667,248	267,852
Travel	85,000	85,000	79,851	5,149
Office supplies	70,000	76,000	39,096	36,904
Medical supplies	244,000	183,200	111,447	71,753
Equipment	166,000	177,362	105,065	72,297
Contracts - repair/service	252,000	447,253	386,827	60,426
Distribution to state	210,000	234,714	204,529	30,185
Other expenditures	445,500	468,909	370,623	98,286
Total disbursements	<u>5,678,000</u>	<u>5,607,538</u>	<u>4,964,686</u>	<u>642,852</u>
Excess receipts over (under) disbursements	<u>12,953</u>	<u>102,843</u>	<u>743,831</u>	<u>640,988</u>
Other financing sources (uses)				
Advances in	255,000	155,000	75,000	(80,000)
Advances out	(255,000)	(155,000)	(75,000)	80,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,953	102,843	743,831	640,988
Prior year encumbrances appropriated	77,538	77,538	77,538	-
Fund balance, beginning of year	<u>5,682,672</u>	<u>5,682,672</u>	<u>5,682,672</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,773,163</u>	<u>\$ 5,863,053</u>	<u>\$ 6,504,041</u>	<u>\$ 640,988</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS) – WIC FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	WIC FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Receipts				
Intergovernmental				
Federal	\$ 979,000	\$ 899,000	\$ 847,586	\$ (51,414)
Total receipts	<u>979,000</u>	<u>899,000</u>	<u>847,586</u>	<u>(51,414)</u>
Disbursements				
Salaries and benefits	907,400	830,884	807,222	23,662
Travel	10,000	9,250	8,828	422
Office supplies	6,000	7,000	6,346	654
Medical supplies	3,000	4,000	3,365	635
Equipment	500	500	440	60
Other expenditures	37,100	32,650	28,860	3,790
Total disbursements	<u>964,000</u>	<u>884,284</u>	<u>855,061</u>	<u>29,223</u>
Excess receipts over (under) disbursements	<u>15,000</u>	<u>14,716</u>	<u>(7,475)</u>	<u>(22,191)</u>
Other financing sources (uses)				
Advances in	100,000	50,000	-	(50,000)
Transfers out	(15,000)	(15,000)	(10,300)	4,700
Advances out	(100,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(10,300)</u>	<u>4,700</u>
Net change in fund balances	-	(284)	(17,775)	(17,491)
Prior year encumbrances appropriated	284	284	284	-
Fund balance, beginning of year	<u>102,993</u>	<u>102,993</u>	<u>102,993</u>	<u>-</u>
Fund balance, end of year	<u>\$ 103,277</u>	<u>\$ 102,993</u>	<u>\$ 85,502</u>	<u>\$ (17,491)</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 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 Lorain County General Health District, (the District) as a body corporate and politic. An eight member Board, including a Health Commissioner govern the District which provides health services to the community including education and prevention of disease.

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. They comprise the District's legal entity which provides services associated with immunization, vital statistics, health related licenses and permits, disease prevention and control, public health nursing, water and solid waste programs and emergency preparedness programs.

The Lorain County Commissioners are the taxing authority for the District. The Lorain County Auditor and the Lorain County Treasurer are responsible for fiscal control of the resources of the District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

These financial statements follow the basis of accounting the Auditor of State prescribes or permits.

The District'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.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government.

The Statement of Net Assets presents the cash balances of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and 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 District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing or draws from the general receipts of the District.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District 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 District uses fund accounting 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 District utilizes the governmental category of funds.

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the District's major governmental funds:

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

Women, Infants and Children (WIC) Fund – this fund receives federal grant funds which are used to provide services through the Special Supplemental Nutrition Program.

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

C. MEASUREMENT FOCUS

The District 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 District's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

D. BASIS OF ACCOUNTING

These financial statements are presented in accordance with the cash basis of accounting. As a result of the use of 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 these 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.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH

As required by Ohio Revised Code, the Lorain County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. Financial information can be obtained from the Lorain County Treasurer, located at 226 Middle Avenue, Elyria, Ohio 44035.

F. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Acquisitions of property are not reflected as an asset under the basis of accounting the District uses.

G. COMPENSATED ABSENCES

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The cash basis of accounting does not recognize unpaid leave as a liability.

H. LONG-TERM OBLIGATIONS

The District did not have any bonds or other long-term debt obligations.

I. INTERFUND RECEIVABLES/PAYABLES

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses.

J. NET ASSETS

These statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. The Statement of Net Assets reports \$ 417,708 as restricted net assets, none of which is restricted by enabling legislation.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Health. Those committed amounts cannot be used for any other purpose unless the Board of Health removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Health.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

LORAIN COUNTY GENERAL HEALTH DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. BUDGETARY PROCESS

The Ohio Revised Code requires that all funds be budgeted and appropriated. The major documents prepared are the appropriations resolution and certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Health may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Health uses the fund/function level as its legal level of control for all funds.

ORC Section 5705.28(C) (1) requires the Health District to file an estimate of contemplated revenue and expenses with the municipalities and townships within the Health District 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 Health District, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April, the Health District 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.

The District amends the certificate of estimated resources during the year if the District receives additional or new sources of funds. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the District.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the District during the year.

Budget versus actual statements for major funds are presented as part of the basic financial statements.

The following adjustment is necessary to reconcile the cash basis statement to the budget basis statement:

	Net Change in Fund Balance	
	General Fund	WIC Fund
Budget basis	\$ 743,831	\$ (17,775)
Adjustment for encumbrances	243,573	18,000
Cash basis, as reported	\$ 987,404	\$ 225

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

NOTE 4 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

Fund balances	General Fund	WIC Fund	Nonmajor Governmental Funds	Total
Restricted for:				
WIC	\$ -	\$ 103,502	\$ -	\$ 103,502
Food Service	-	-	119,408	119,408
Solid Waste Management	-	-	14,657	14,657
Construction, Demolition and Debris	-	-	82,885	82,885
Smoke Free Ohio	-	-	14,214	14,214
WIC Retirement	-	-	25,300	25,300
IAP Clinic	-	-	10,945	10,945
Traffic Safety	-	-	21,089	21,089
Creating Healthy Communities	-	-	12,752	12,752
Other purposes	-	-	12,956	12,956
Total restricted	<u>-</u>	<u>103,502</u>	<u>314,206</u>	<u>417,708</u>
Assigned to				
Encumbrances	243,573	-	-	243,573
Total assigned	<u>243,573</u>	<u>-</u>	<u>-</u>	<u>243,573</u>
Unassigned	<u>6,504,041</u>	<u>-</u>	<u>-</u>	<u>6,504,041</u>
Total fund balances	<u>\$ 6,747,614</u>	<u>\$ 103,502</u>	<u>\$ 314,206</u>	<u>\$ 7,165,322</u>

LORAIN COUNTY GENERAL HEALTH DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - CASH BALANCES

The Health District's cash pool, used by all funds, is deposited with the Lorain County Treasurer. The cash pool is commingled with Lorain County's cash and investment pool and is not identifiable as to demand deposits or investments. The carrying amount of cash on deposit with the Lorain County Treasurer at December 31, 2011 was \$ 7,165,322.

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Health. The Ohio Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State of Ohio, and are reflected in the accompanying financial statements as intergovernmental receipts. Tax payments are due to Lorain County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Health District.

The full tax rate for all Health District operations for the year ended December 31, 2011, was \$ 1.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2011 property tax receipts were based are as follows:

Real property	\$ 3,787,339,600
Public utility property	84,916,310
	\$ 3,872,255,910

Lorain County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Health District.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member- Directed Plan.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011 member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0% and 11.6%, respectively. The 2011 contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The District's contributions for pension obligations to the traditional, combined, and member directed plans for the year ended December 31, 2011, December 31, 2010, and December 31, 2009 were \$ 351,074, \$ 314,865, and \$ 255.873, respectively. 89% has been contributed for 2011, with the remaining 11% to be paid in January 2012. The full amount has been contributed for 2010 and 2009.

NOTE 8 - POSTEMPLOYMENT BENEFITS

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.1%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's contributions for post-employment benefits for the year ended December 31, 2011, December 31, 2010, and December 31, 2009 were \$ 200,673, \$ 203,773, and \$ 255,873, respectively. 89% has been contributed for 2011, with the remaining 11%, to be paid in January 2012. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 9 - RISK MANAGEMENT

The Health District has obtained commercial insurance for comprehensive property and general liability, vehicles, and errors and omissions. Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in coverage from prior years. The Health District provides health, prescription, dental and vision insurance coverage through commercial insurance coverage.

NOTE 10 - 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, management believes such refunds, if any, would not be significant.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 – INTERFUND TRANSFERS

Interfund transfers consisted of:

	Transfer from:
	<u>WIC Fund</u>
Transfer to:	
WIC Retirement Fund	<u>\$ 10,300</u>

The interfund transfer was made to fund leave benefits earned in 2011 that will be paid in future years.

LORAIN COUNTY GENERAL HEALTH DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor / Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed through the Ohio Department of Health			
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	04710011WA0411 04710011WA0512	\$ 837,061
Total U.S. Department of Agriculture			<u>837,061</u>
 <u>U.S. Department of Health and Human Services</u>			
Passed through the Ohio Department of Health			
Immunization Action Plan	93.268	04710012IM0411	101,953
Centers for Disease Control and Prevention - Public Health Emergency Preparedness	93.069	04710012PH0211 / PH0312	181,236
Public Health Emergency Response - 1	93.069H1N1	04710012PH0211	42,819
Public Health Emergency Response - 2	93.069H1N1	04710012PH0211	11,074
Public Health Emergency Response - 3	93.069H1N1	04710012PH0211	216,550
Cardiovascular Health	93.991	04710014CC0110	143,430
Total U.S. Department of Health and Human Services			<u>697,062</u>
 <u>U.S. Department of Transportation</u>			
Passed through the Office of the Governor's Highway Safety Representative			
Traffic Safety Grant	20.600	SC-2011-47-00-00-00-390-00 SC-2012-47-00-00-00-368-00	44,760
Total U.S. Department of Transportation			<u>44,760</u>
Total Federal Awards Expenditures			<u>\$ 1,578,883</u>

See accompanying note to the schedule of federal awards expenditures.

LORAIN COUNTY GENERAL HEALTH DISTRICT
NOTE TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

CFDA – Catalog of Federal Domestic Assistance



Dave Yost • Auditor of State

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

Lorain County General Health District
Lorain County
9880 South Murray Ridge Road
Elyria, Ohio 44035

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 Lorain County General Health District as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 21, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles, and also adopted Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

Lorain County General Health District
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 21, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 21, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lorain County General Health District
Lorain County
9880 South Murray Ridge Road
Elyria, Ohio 44035

To the Board of Health:

Compliance

We have audited the compliance of the Lorain County General Health District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lorain County General Health District's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Lorain County General Health District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, the Board of Health, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 21, 2012

**LORAIN COUNTY GENERAL HEALTH DISTRICT
DISTRICT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Supplemental Food Program for Women, Infants and Children (WIC) – CFDA #10.557
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

LORAIN COUNTY GENERAL HEALTH DISTRICT

LORAIN 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 14, 2012