



Mary Taylor, CPA
Auditor of State

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings.....	20

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Mary Taylor, CPA

Auditor of State

District Board of Health
Paulding County
800 East Perry Street
Paulding, Ohio 45879-9229

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

May 24, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Paulding County
800 East Perry Street
Paulding, Ohio 45879-9229

To the Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Paulding County, (the District) as of and for the years ended December 31, 2006 and 2005. 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 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.

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 governments to reformat their statements. The District has elected not to reformat its statements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years 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 District Board of Health, Paulding County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years 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 May 24, 2007, 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.



Mary Taylor, CPA
Auditor of State

May 24, 2007

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$201,130			\$201,130
Intergovernmental Revenues	29,035	\$165,045		194,080
Immunizations	35,758			35,758
Vital Statistics	23,832			23,832
Water Sample Fees	2,784			2,784
Environmental Licenses	47,646	33,179		80,825
Site Evaluations	4,100			4,100
Other receipts	3,390			3,390
Total Cash Receipts	<u>347,675</u>	<u>198,224</u>		<u>545,899</u>
Cash Disbursements:				
Salaries	170,385	154,306		324,691
Supplies	35,029	4,763		39,792
Remittances to State		3,302		3,302
Contracts - Services	2,573			2,573
Travel	6,437	3,344		9,781
Capital Outlay			\$218,767	218,767
Public employee's retirement	21,936	35,689		57,625
Worker's compensation	2,367			2,367
Debt payments	36,653			36,653
Other	73,275	1,515		74,790
Total Cash Disbursements	<u>348,655</u>	<u>202,919</u>	<u>218,767</u>	<u>770,341</u>
Total Cash Disbursements Over Cash Receipts	<u>(980)</u>	<u>(4,695)</u>	<u>(218,767)</u>	<u>(224,442)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			65,684	65,684
Advances-In	11,043	15,475		26,518
Transfers-Out	(65,684)			(65,684)
Advances-Out	(15,475)	(11,043)		(26,518)
Loan Proceeds			153,083	153,083
Total Other Financing Receipts/(Disbursements)	<u>(70,116)</u>	<u>4,432</u>	<u>\$218,767</u>	<u>153,083</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	<u>(71,096)</u>	<u>(263)</u>		<u>(71,359)</u>
Fund Cash Balances, January 1	<u>181,855</u>	<u>22,611</u>		<u>204,466</u>
Fund Cash Balances, December 31	<u><u>\$110,759</u></u>	<u><u>\$22,348</u></u>		<u><u>\$133,107</u></u>

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

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$199,788			\$199,788
Intergovernmental Revenues	31,583	\$152,329		183,912
Immunizations	47,721			47,721
Vital Statistics	22,475			22,475
Water Sample Fees	2,700			2,700
Environmental Licenses	24,823	31,147		55,970
Site Evaluations	4,290			4,290
Other receipts	592			592
Total Cash Receipts	<u>333,972</u>	<u>183,476</u>		<u>517,448</u>
Cash Disbursements:				
Salaries	169,979	138,370		308,349
Supplies	23,900	28,799		52,699
Remittances to State		3,346		3,346
Contracts - Services	2,425			2,425
Travel	4,572	1,662		6,234
Capital Outlay			\$146,918	146,918
Public employee's retirement	22,984	28,840		51,824
Worker's compensation	1,897			1,897
Debt payments	9,163			9,163
Other	58,937	2,627		61,564
Total Cash Disbursements	<u>293,857</u>	<u>203,644</u>	<u>146,918</u>	<u>644,419</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>40,115</u>	<u>(20,168)</u>	<u>(146,918)</u>	<u>(126,971)</u>
Other Financing Receipts/(Disbursements):				
Advances-In	2,071	11,043		13,114
Advances-Out	(11,043)	(2,071)		(13,114)
Loan Proceeds			146,918	146,918
Total Other Financing Receipts/(Disbursements)	<u>(8,972)</u>	<u>8,972</u>	<u>\$146,918</u>	<u>146,918</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>31,143</u>	<u>(11,196)</u>		<u>19,947</u>
Fund Cash Balances, January 1	<u>150,712</u>	<u>33,807</u>		<u>184,519</u>
Fund Cash Balances, December 31	<u><u>\$181,855</u></u>	<u><u>\$22,611</u></u>		<u><u>\$204,466</u></u>

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

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Paulding County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include recording of vital statistics, inspection of food service facilities, water wells, sewers, campgrounds, trailer parks, swimming pools, and also services including communicable disease investigations, immunization clinics, and acting upon various complaints made to the District concerning the health and welfare of the County.

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

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State's accounting basis requires.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, valued at the County 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 accounts for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

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

Women, Infants, and Children (WIC) Fund - This federal grant fund accounts for the Special Supplemental Nutrition Program.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Public Health Infrastructure Grant (PHIG) Fund - This federal grant fund is used for the control of communicable diseases, chronic diseases and disorders, and other preventable health conditions.

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The District had the following significant Capital Projects Fund:

Building Fund - This fund received loan proceeds for the purchase and renovation of the District's new health department facility.

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, function level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The District did not certify all commitments required by Ohio law.

A summary of 2006 and 2005 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.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$347,675	(\$2,325)
Special Revenue	201,962	198,224	(3,738)
Capital Projects	218,767	218,767	
Total	\$770,729	\$764,666	(\$6,063)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$350,000	\$414,339	(\$64,339)
Special Revenue	201,962	202,919	(957)
Capital Projects	218,767	218,767	
Total	\$770,729	\$836,025	(\$65,296)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$333,972	(\$16,028)
Special Revenue	24,000	183,476	159,476
Capital Projects		146,918	146,918
Total	\$374,000	\$664,366	\$290,366

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$350,000	\$293,857	\$56,143
Special Revenue	205,420	203,644	1,776
Capital Projects		146,918	(146,918)
Total	\$555,420	\$644,419	(\$88,999)

Contrary to Ohio law, the District had expenditures exceeding appropriations in the General Fund by \$64,339 in 2006 and in the Capital Projects Fund by \$146,918 in 2005.

3. INTERGOVERNMENTAL FUNDING

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

4. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their gross salaries. For 2006, OPERS members contributed 9.0 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 13.7 percent of participant's gross salaries for 2006. The District has paid all contributions required through December 31, 2006.

5. DEBT

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
Antwerp Exchange Bank Loan	\$262,500	4.11%

The District obtained a ten-year loan to finance the purchase of a health department facility and to pay for repairs and improvements on the building. The original amount of the loan was \$300,000, and the loan will mature in 2015. This loan is repaid from the General Fund.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT – (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>Bank Loan</u>
2007	\$36,653
2008	36,653
2009	36,653
2010	36,653
2011	36,653
2012-2015	<u>137,449</u>
Total	<u><u>\$320,714</u></u>

6. RISK MANAGEMENT

The Paulding County Commissioners maintain building and contents insurance coverage for the District.

Risk Pool Membership for Liability Insurance

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

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

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT – (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

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

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$4,456. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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.

Contributions to PEP

2006	\$2,228
2005	\$2,237

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

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Mary Taylor, CPA

Auditor of State

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

District Board of Health
Paulding County
800 East Perry Street
Paulding, Ohio 45879-9229

To the Members of the Board:

We have audited the financial statements of the District Board of Health, Paulding County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 24, 2007, 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 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-002, and 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-003 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 24, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 24, 2007.

We intend this report solely for the information and use of the audit committee, management, and members of the Board of Trustees. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 24, 2007

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

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

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

Noncompliance Finding and Significant Deficiency

Ohio Rev. Code §5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2006-001
(Continued)**

The District did not properly certify the availability of funds at the time the new building purchase commitment was made in 2005 and also for commitments made to contractors for the building renovation work performed in 2006 in the time period from April through June. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response

Management did not respond to this finding.

FINDING NUMBER 2006-002

Noncompliance Finding and Significant Deficiency

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations by \$64,339 in the General Fund during 2006 and by \$146,918 in the Capital Projects Fund during 2005. Failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The fiscal officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The fiscal officer may request that the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response

Management did not respond to this finding.

FINDING NUMBER 2006-003

Material Weakness

Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required material audit adjustments.

1. Advances totaling \$58,058 in 2005 and \$101,463 in 2006 were made and repaid within each respective fiscal year and were included on the financial statements
2. A loan was obtained from the Antwerp Exchange Bank in 2005. Loan Proceeds and Capital Outlay expenditures in the amount of \$146,918 to purchase a new building were not recorded in a capital projects fund on the financial statements.
3. Homestead and Rollback revenues totaling \$20,294 in 2005 and \$18,853 in 2006, and also Tangible Personal Property Reimbursement revenue of \$3,560 in 2006 were not recorded in the correct revenue line-item in the General Fund on the financial statements. Auditor and Treasurer fees of \$6,070 in 2005 and \$5,820 in 2006 were not recognized as expenses in the General Fund on the financial statements.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the fiscal officer and board of trustees, to identify and correct errors and omissions.

Official's Response

Management did not respond to this finding.

**DISTRICT BOARD OF HEALTH
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 3709.28 states the District shall submit an itemized estimate of revenues along with the appropriation measure	No	Partially Corrected. Comment included in the report to management.
2004-02	Estimated resources recorded in the accounting system differed from the amounts approved by the Board	No	Partially Corrected. Comment included in the report to management.



Mary Taylor, CPA
Auditor of State

DISTRICT BOARD OF HEALTH

PAULDING 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 19, 2007**