



**Mary Taylor, CPA**  
Auditor of State



**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

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Mary Taylor, CPA  
Auditor of State

District Board of Health  
Knox County  
11660 Upper Gilchrist Road  
Mount Vernon, Ohio 43050

To the Members of the Board:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

April 2, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health  
Knox County  
11660 Upper Gilchrist Road  
Mount Vernon, Ohio 43050

To the Members of the Board:

We have audited the accompanying financial statement of the District Board of Health, Knox County, Ohio, (the District) as of and for the year ended December 31, 2008. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described more fully in Note 1, the District has prepared this financial statement 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 statement presents, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2008 does 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, 2008, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District Board of Health, Knox County, Ohio, as of December 31, 2008, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009, 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 statement. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statement. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statement taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

April 2, 2009



**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Taxes	\$ 277,073	\$ -	\$ 277,073
Intergovernmental	175,223	911,658	1,086,881
Local Grants	55,035	-	55,035
Charges for Services	145,717	1,343,217	1,488,934
Fines, Licenses, and Permits	-	221,344	221,344
Other	10,774	2,036	12,810
	<u>663,822</u>	<u>2,478,255</u>	<u>3,142,077</u>
Total Cash Receipts			
	<u>663,822</u>	<u>2,478,255</u>	<u>3,142,077</u>
<b>Cash Disbursements:</b>			
Salaries & Fringe Benefits	409,882	1,681,703	2,091,585
Supplies & Equipment	18,582	136,759	155,341
Contracts, Services & Repairs	130,490	460,622	591,112
Building Lease	63,980	64,955	128,935
Travel & Expenses	7,449	62,960	70,409
Other Disbursements	13,752	29,723	43,475
	<u>644,135</u>	<u>2,436,722</u>	<u>3,080,857</u>
Total Disbursements			
	<u>644,135</u>	<u>2,436,722</u>	<u>3,080,857</u>
Total Receipts Over Disbursements	<u>19,687</u>	<u>41,533</u>	<u>61,220</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	-	65,009	65,009
Advances-In	48,400	43,000	91,400
Transfers-Out	(65,009)	-	(65,009)
Advances-Out	(43,000)	(48,400)	(91,400)
	<u>(59,609)</u>	<u>59,609</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(59,609)</u>	<u>59,609</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,922)	101,142	61,220
Fund Cash Balances, January 1	<u>216,835</u>	<u>523,405</u>	<u>740,240</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 176,913</u></b>	<b><u>\$ 624,547</u></b>	<b><u>\$ 801,460</u></b>
Reserves for Encumbrances, December 31	<u>\$ 39,831</u>	<u>\$ 91,246</u>	<u>\$ 131,077</u>

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

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**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008**

**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, Knox County, Ohio, (the District) as a body corporate and politic. A nine-member Board and a Health Commissioner govern the District. The Board is comprised of three members appointed by the City of Mount Vernon, five members appointed by the District Advisory Council of Knox County, and one alternate member appointed by the Health Licensing Council. The District's services include medical and dental clinics, communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

**B. Accounting Basis**

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

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Home Health Nursing Fund – This fund receives fees for providing home nursing services to elderly and homebound persons. This fund also receives monies from passport funds which are state and federal grant monies to provide home healthcare for Medicaid eligible persons through referrals from the Area Agency of Aging.

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2008 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 statement does not report these items as assets.

**G. Accumulated Leave**

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

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008  
(Continued)**

**2. Budgetary Activity**

Budgetary activity for the year ending December 31, 2008 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$725,478	\$663,822	(\$61,656)
Special Revenue	2,605,163	2,543,264	(61,899)
Total	\$3,330,641	\$3,207,086	(\$123,555)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$909,023	\$748,975	\$160,048
Special Revenue	2,813,264	2,527,968	285,296
Total	\$3,722,287	\$3,276,943	\$445,344

**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 statement presents these amounts as intergovernmental receipts.

**4. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2008, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

**5. Risk Management**

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.

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008  
(Continued)**

**5. Risk Management (Continued)**

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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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, 2007 and 2006 (the latest information available):

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008  
(Continued)**

**5. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 \$8,430. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to PEP</u></b>	
2006	\$ 6,185
2007	\$ 6,218
2008	\$ 7,330

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

**6. Health Department Capital Lease**

Capital lease outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Lease	<u>1,217,000</u>	5.05%

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008  
(Continued)**

**6. Health Department Capital Lease (Continued)**

Knox County issued a 20 year bond issue on August 15, 2000, to fund the construction of the new health department building. The Knox County District Board of Health entered into a 20 year lease with the County which requires the District to pay the County yearly payments which match the yearly principal and interest on the bonds outstanding. The total amount paid to the County in 2008 for the lease obligation was \$128,935.

The required lease payments at December 31, 2008 are as follows:

Year ending December 31:	<u>Building Lease</u>
2009	128,147
2010	128,172
2011	128,997
2012	128,570
2013	128,970
2014-2018	644,280
2019-2021	<u>385,550</u>
Total	\$1,672,686
Less Interest:	455,686
Lease Principle	<u><u>\$1,217,000</u></u>

**7. Medical Insurance**

The Health District employees have health insurance coverage through Medical Benefits, a self insurance plan operated by the District's fiscal agent. All claims are handled through Knox County.

**8. Contingent Liabilities**

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

**9. Tax Levy**

A General Health District may also receive receipts from a special levy authorized by the board of county commissioners under ORC 3709.29, if the amount of taxes needed are to be raised above the ten mil limitation. In fiscal year 2007, the Knox County District Board of Health, through the approval of the Knox County Board of Commissioners serving as special taxing authority, adopted a resolution to renew a tax levy to provide the District with sufficient funds to meet its operating expenses, and to help carry out its programs to help protect the public health. The tax levy generated \$277,073 in 2008.



**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Expenditures
<b>United States Department of Agriculture:</b>			
Passed-through Ohio Department of Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	42-1-001-1-CL-07/08	\$ 187,894
<b>United States Department of Labor:</b>			
Passed-through Ohio Department of Labor: Passed-through the Knox County Department of Jobs and Family Services: Youth Development Grant	17.259	31-6400072	372
<b>United States Department of Transportation</b>			
Passed-through Ohio Department of Public Safety State and Community highway Safety	20.600	SC-07/08-42-00-00-00584/278	26,590
<b>United States Department of the Environmental Protection Agency</b>			
Passed- through Ohio Department of Health: State Indoor Radon Grant	66.032	45-1-001-2-BA-08	300
<b>United States Department of Education</b>			
Passed -through Ohio Department of Health: Passed- through the Knox County Department of Jobs and Family Services: Special Education- Grants for Infants and Families with Disabilities	84.181	42-1-003/002-1-EG/HG-07/08	38,350
<b>United States Department of Health and Human Services:</b>			
Passed-through Ohio Department of Job and Family Services: Passed-through the Knox County Department of Jobs and Family Services: Temporary Assistance for Needy Families	93.558	31-6400072	215,458
Circle of Friends	93.667	31-6400072	6,706
Passed-through Ohio District 5 Area Agency on Aging: Medical Assistance Program	93.778	PP07-521	45,686
Passed through the Ohio Department of Mental Health: Passed through the The Ohio State University Research Foundation: Block Grants for Community Mental Health Services	93.958	125-CS-07-01	1,000
Passed through ATM Education: Community Based Abstinence Education	93.010	90AE0180-08	8,023
Passed-through Ohio Department of Health: Lead Awareness Grant	93.197	FAM-30582	1,000
Ohio Rural Health Quality Initiative	93.913	FAM-30688	5,535
Immunization Grants	93.268	42-1-001-A-AZ-06/07	52,808
Preventive Health and Health Services Block Grant	93.283	42-1-001-2-BI/PI-07/08	108,519
Maternal and Child Health Services Block Grant to the States	93.994	42-1-001-1-MC-07/08	46,114
Total United States Department of Health and Human Services			<u>490,849</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 744,355</u></b>

This schedule of federal awards expenditures has been prepared on the cash basis of accounting.

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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  
Knox County  
11660 Upper Gilchrist Road  
Mount Vernon, Ohio 43050

To the Members of the Board:

We have audited the financial statements of the District Board of Health, Knox County, Ohio, (the District) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 2, 2009, wherein we noted the District followed 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.

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.

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 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*.

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



**Mary Taylor, CPA**  
Auditor of State

April 2, 2009



# Mary Taylor, CPA

## Auditor of State

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

District Board of Health  
Knox County  
11660 Upper Gilchrist Road  
Mount Vernon, Ohio 43050

To the Members of the Board:

#### Compliance

We have audited the compliance of the District Board of Health, Knox County, Ohio, (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 apply to its major federal program for the year ended December 31, 2008. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the District Board of Health complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008

#### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 audit committee, management, Board members, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 2, 2009

**DISTRICT BOARD OF HEALTH  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #93.558 – Temporary Assistance for Needy Families
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.







**Mary Taylor, CPA**  
Auditor of State

**DISTRICT BOARD OF HEALTH**

**KNOX 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  
MAY 7, 2009**