



**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010-2009



Dave Yost • Auditor of State

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

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Dave Yost • Auditor of State

District Board of Health
Morrow County
619 West Marion Road
Mt. Gilead, Ohio 43338

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.

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Dave Yost
Auditor of State

July 28, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Morrow County
619 West Marion Road
Mt. Gilead, Ohio 43338

To the Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morrow County, Ohio, (the District) as of and for the years ended December 31, 2010 and 2009. 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 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 statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2010 and 2009, 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 and reserves for encumbrances of the District Board of Health, Morrow County, as of December 31, 2010 and 2009, 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 July 28, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and 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.



Dave Yost
Auditor of State

July 28, 2011

DISTRICT BOARD OF HEALTH
MORROW COUNTY

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

	<u>All Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal Awards	\$ 8,264	\$ 206,028	\$ 214,292
Property Taxes	283,696	-	283,696
Intergovernmental	157,424	49,246	206,670
Inspection Fees	900	-	900
Permits	69,044	9,019	78,063
Other Fees	83,593	24,806	108,399
Licenses	-	61,149	61,149
Fines	1,410	2,363	3,773
Contractual Services	199,195	-	199,195
Miscellaneous	3,400	897	4,297
	<u>806,927</u>	<u>353,507</u>	<u>1,160,434</u>
Total Cash Receipts			
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	512,864	59,161	572,025
Fringe Benefits	138,634	10,300	148,934
Supplies	24,274	870	25,144
Remittances to State	16,717	12,176	28,893
Equipment	1,075	-	1,075
Contracts - Repair	5,376	-	5,376
Contracts - Services	18,407	-	18,407
Travel	9,889	3,302	13,191
Printing & Advertising	7,467	512	7,979
Project Fund Expenditures	-	215,070	215,070
Other	29,759	32,725	62,484
	<u>764,462</u>	<u>334,116</u>	<u>1,098,578</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>42,465</u>	<u>19,391</u>	<u>61,856</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	15,400	15,400
Transfers-Out	(15,400)	-	(15,400)
Reimbursements	12,027	908	12,935
	<u>(3,373)</u>	<u>16,308</u>	<u>12,935</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,092	35,699	74,791
Fund Cash Balances, January 1	<u>536,362</u>	<u>286,741</u>	<u>823,103</u>
Fund Cash Balances, December 31	<u>\$ 575,454</u>	<u>\$ 322,440</u>	<u>\$ 897,894</u>
Reserves for Encumbrances, December 31	<u>\$ 24,429</u>	<u>\$ 15,458</u>	<u>\$ 39,887</u>

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

DISTRICT BOARD OF HEALTH
MORROW COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Federal Awards	\$ 6,422	\$ 199,205	\$ 205,627
Property Taxes	274,627	-	274,627
Intergovernmental	151,232	39,833	191,065
Inspection Fees	600	-	600
Permits	105,906	9,345	115,251
Other Fees	89,799	3,429	93,228
Licenses	-	75,034	75,034
Fines	1,125	839	1,964
Contractual Services	184,230	-	184,230
Miscellaneous	1,543	1,228	2,771
	<u>815,484</u>	<u>328,913</u>	<u>1,144,397</u>
Total Cash Receipts			
	<u>815,484</u>	<u>328,913</u>	<u>1,144,397</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	478,161	77,540	555,701
Fringe Benefits	147,106	13,165	160,271
Supplies	21,054	961	22,015
Remittances to State	11,779	12,646	24,425
Equipment	378	-	378
Contracts - Repair	3,932	-	3,932
Contracts - Services	12,627	-	12,627
Travel	9,869	3,523	13,392
Printing & Advertising	5,190	2,430	7,620
Project Fund Expenditures	-	170,548	170,548
Other	27,783	53,428	81,211
	<u>717,879</u>	<u>334,242</u>	<u>1,052,120</u>
Total Disbursements			
	<u>717,879</u>	<u>334,242</u>	<u>1,052,120</u>
Total Receipts Over/(Under) Disbursements			
	<u>97,606</u>	<u>(5,329)</u>	<u>92,277</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	-	52,150	52,150
Transfers-Out	(52,150)	-	(52,150)
Reimbursements	8,033	12,060	20,093
	<u>(44,118)</u>	<u>64,210</u>	<u>20,093</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(44,118)</u>	<u>64,210</u>	<u>20,093</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	53,488	58,881	112,369
Fund Cash Balances, January 1	482,874	227,860	710,734
	<u>482,874</u>	<u>227,860</u>	<u>710,734</u>
Fund Cash Balances, December 31	<u>\$ 536,362</u>	<u>\$ 286,741</u>	<u>\$ 823,103</u>
Reserves for Encumbrances, December 31	<u>\$ 34,493</u>	<u>\$ 24,390</u>	<u>\$ 58,883</u>

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

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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, Morrow County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, tuberculosis screenings, home visits, public health nursing services, issuance of health-related licenses and permits, and issuance of birth certificates and death certificates.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (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 Funds:

Food Service Fund – This fund receives revenue from food service operations in the form of fees and licenses to maintain food service establishments. These monies are used by the District to cover staff expenses and supplies. In addition, a portion of license

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Public Health Infrastructure Grant Fund - This federal grant, which is disbursed through the Ohio Department of Health, is used to develop effective plans and resources at local and regional levels to address bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

Bio Terrorism/PHER H1N1 – This is a Federal grant fund and is for public health infrastructure to develop emergency-ready public health departments by upgrading, integrating and evaluating State and local public health jurisdictions preparedness for and response to terrorism, pandemic influenza and other public health emergencies.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2010 and 2009 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
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 ending December 31, 2010, and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$751,130	\$818,954	\$67,824
Special Revenue	429,979	369,815	(60,164)
Total	<u>\$1,181,109</u>	<u>\$1,188,769</u>	<u>\$7,660</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$874,495	\$804,291	\$70,204
Special Revenue	487,909	349,574	138,335
Total	<u>\$1,362,404</u>	<u>\$1,153,865</u>	<u>\$208,539</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$734,200	\$823,517	\$89,317
Special Revenue	483,429	393,123	(90,306)
Total	<u>\$1,217,629</u>	<u>\$1,216,640</u>	<u>(\$989)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$859,206	\$804,522	\$54,684
Special Revenue	544,338	358,632	185,706
Total	<u>\$1,403,544</u>	<u>\$1,163,154</u>	<u>\$240,390</u>

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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 Systems

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Risk Management (Continued)

Financial Position

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

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

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the District's share of these unpaid claims collectible in future years is approximately \$1,000.

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

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$487	\$2,129

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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 PEP. 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. Contingent Liabilities

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

**DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Tax Levy

The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$283,696 in 2010 and \$274,627 in 2009. The financial statements present these amounts as property taxes.



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*

District Board of Health
Morrow County
619 West Marion Road
Mt. Gilead, Ohio 43338

To the Members of the Board:

We have audited the financial statements of the District Board of Health, Morrow County, Ohio, (the District) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated July 28, 2011, wherein we noted the District followed accounting practices the Auditor of State prescribes 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 the purpose of expressing our opinion 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*.

We intend this report solely for the information and use of management, the District Board of Trustees, 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 "D" and "Y".

Dave Yost
Auditor of State

July 28, 2011



Dave Yost • Auditor of State

MORROW COUNTY DISTRICT BOARD OF HEALTH

MORROW 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
SEPTEMBER 6, 2011**