



Dave Yost • Auditor of State

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

General Health District
Mercer County
220 W. Livingston Street, Room B152
Celina, Ohio 45822

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the General Health District, Mercer County, (the District) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of General Health District, Mercer County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 6 to the financial statements, during 2011 the General Health District, Mercer County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

**MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Charges for Services	\$276,141	\$92,126	\$368,267
Fines, Licenses and Permits	3,705	52,093	55,798
Intergovernmental	296,280	106,155	402,435
Miscellaneous	27,278	14,233	41,511
Total Cash Receipts	<u>603,404</u>	<u>264,607</u>	<u>868,011</u>
Cash Disbursements:			
Current:			
Health:			
Salaries	302,166	122,701	424,867
Fringe Benefits	136,022	49,613	185,635
Purchased / Contract Services	12,589	10,883	23,472
Supplies / Materials	83,935	3,308	87,243
Travel	4,336	7,779	12,115
Remittance to State	36,208	56,682	92,890
Other	18,131	16,575	34,706
Capital Outlay		1,530	1,530
Total Cash Disbursements	<u>593,387</u>	<u>269,071</u>	<u>862,458</u>
Excess of Receipts Over (Under) Disbursements	<u>10,017</u>	<u>(4,464)</u>	<u>5,553</u>
Other Financing Receipts (Disbursements):			
Transfers In		426	426
Transfers Out	(426)		(426)
Advances In	40,465	15,790	56,255
Advances Out	(15,790)	(40,465)	(56,255)
Total Other Financing Receipts (Disbursements)	<u>24,249</u>	<u>(24,249)</u>	
Net Change in Fund Cash Balances	34,266	(28,713)	5,553
Fund Cash Balances, January 1	<u>44,905</u>	<u>110,684</u>	<u>155,589</u>
Fund Cash Balances, December 31:			
Restricted		81,971	81,971
Unassigned (Deficit)	79,171		79,171
Fund Cash Balances, December 31	<u>\$79,171</u>	<u>\$81,971</u>	<u>\$161,142</u>

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

**MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Charges for Services	\$265,668	\$96,569	\$362,237
Fines, Licenses and Permits	9,494	15,453	24,947
Intergovernmental	285,614	199,455	485,069
Miscellaneous	10,028		10,028
Total Cash Receipts	<u>570,804</u>	<u>311,477</u>	<u>882,281</u>
Cash Disbursements:			
Current:			
Health:			
Salaries	386,661	102,484	489,145
Fringe Benefits	159,694	25,384	185,078
Purchased / Contract Service	3,092	92,544	95,636
Supplies / Materials	77,266	37,389	114,655
Travel	5,417	10,157	15,574
Remittance to State	36,545	56,489	93,034
Other	16,278	22,165	38,443
Capital Outlay	1,957	28,256	30,213
Total Cash Disbursements	<u>686,910</u>	<u>374,868</u>	<u>1,061,778</u>
Excess of Receipts Over (Under) Disbursements	<u>(116,106)</u>	<u>(63,391)</u>	<u>(179,497)</u>
Other Financing Receipts (Disbursements):			
Transfers In	10,000	49	10,049
Transfers Out	(49)	(10,000)	(10,049)
Advances In	14,757	19,175	33,932
Advances Out	(19,175)	(14,757)	(33,932)
Other Financing Sources		1,610	1,610
Total Other Financing Receipts (Disbursements)	<u>5,533</u>	<u>(3,923)</u>	<u>1,610</u>
Net Change in Fund Cash Balances	(110,573)	(67,314)	(177,887)
Fund Cash Balances, January 1	<u>155,478</u>	<u>177,998</u>	<u>333,476</u>
Fund Cash Balances, December 31:			
Restricted		110,684	110,684
Unassigned (Deficit)	44,905		44,905
Fund Cash Balances, December 31	<u>\$44,905</u>	<u>\$110,684</u>	<u>\$155,589</u>

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Mercer 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 communicable disease investigations, immunization clinics, inspections, public health nursing services, hazard preparedness and issues health-related licenses and permits.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Food Service Fund - This fund accounts for the sale of food service licenses.

Public Health Emergency Preparedness (PHEP) Grant Fund - This fund receives Federal grant money to provide for the development of public health infrastructure.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Health Emergency Response (PHER) Grant Funds - This fund receive Federal grant money to support and enhance the public health infrastructure that is critical to public health preparedness and response.

Trailer Park Fund – This fund accounts for the sale of campground and trailer park licenses.

Swimming Pool Fund – This fund accounts for the sale of public pool and spa licenses.

Construction and Demo Debris (C&DD) Fund – This fund accounts for tipping fees and licenses.

Water System Fund – This fund receives money for permits and fees of well and water testing.

Solid Waste Fund – This fund receives money for licenses and tipping fees from solid waste facilities in the County.

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 re-appropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 2.

F. Fund Balance

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The District classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. 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.

H. Accumulated Leave

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

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 847,812	\$643,869	(\$203,943)
Special Revenue	282,977	280,823	(2,154)
Total	<u>\$1,130,789</u>	<u>\$924,692</u>	<u>(\$206,097)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 810,154	\$609,603	\$200,551
Special Revenue	449,543	309,536	140,007
Total	<u>\$1,259,697</u>	<u>\$919,139</u>	<u>\$340,558</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 648,788	\$595,561	(\$ 53,227)
Special Revenue	460,917	332,311	(128,606)
Total	<u>\$1,109,705</u>	<u>\$927,872</u>	<u>(\$181,833)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 768,826	\$ 706,134	\$ 62,692
Special Revenue	474,838	399,625	75,213
Total	<u>\$1,243,664</u>	<u>\$1,105,759</u>	<u>\$137,905</u>

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 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 2012 and 2011, 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, 2012.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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.

A. 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, 2012, 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.

B. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, 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 \$3,609.

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.

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
<u>\$4,197</u>	<u>\$3,803</u>

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. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

7. CONTINGENCY

The Ohio Office of Inspector General initiated an investigation of the Public Health Emergency Preparedness and Public Health Emergency Response Grants on May 10, 2011 and issued a report on September 23, 2013 indicating the following information.

Purchases Contrary to Grant Guidelines	
<u>Categories</u>	<u>Amount</u>
Personnel	\$ 24,448.69
Contracts	13,999.42
Equipment	30,579.68
Other Direct Costs	83,798.27
Prior to or After the Grant Period	<u>15,702.46</u>
	<u>\$168,528.52</u>

The above costs were not reflected in the final Ohio Department of Health (ODH) approved budget and budget narrative; MCCCHD charged the entire cost instead of the portion directly related to the grants; MCCCHD failed to maintain documentation supporting time spent on the grant; expenses exceeded the grant period; and/or expenses charged were incurred prior to or after the grant period. As such, the \$168,528.52 is a questioned cost and is being referred to ODH and the United States Department of Health and Human Services Center for Disease Control for further review.



Dave Yost • Auditor of State

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

General Health District
Mercer County
220 W. Livingston Street, Room B152
Celina, Ohio 45822

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the General Health District, Mercer County, (the District) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2013, wherein we noted the District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

**GENERAL HEALTH DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance/Material Weakness – General Fund Revenue

Ohio Revised Code Section 3709.28(C) states the aggregate appropriation, as fixed by the commission, less the amounts available to the general health district from all sources of revenue certified for the ensuing fiscal year, including any amounts in the district health fund from the previous appropriation, and after considering and allowing for funds needed to fund ongoing operations in the ensuing fiscal year, shall be apportioned by the county auditor among the townships and municipal corporations composing the health district on the basis of taxable valuations in such townships and municipal corporations. The auditor, when making the auditor's semiannual apportionment of funds, shall retain at each semiannual apportionment one-half of the amount apportioned to each township and municipal corporation. Such moneys shall be placed in a separate fund to be known as the "district health fund." Unless otherwise required by a provision of the Revised Code or a rule adopted pursuant thereto, all other sources of revenue of the district shall be placed in the district health fund, provided that the revenue is used and maintained in accordance with the purpose for which the revenue was received.

In 2012, the District moved the Bureau for Children with Medical Handicaps (BCMH), Real Estate Fees, Sewage, Vital Statistics and Health Services from the General Fund into separate new Special Revenue Funds. This resulted in an audit adjustment to move the revenues of \$469,816 and expenditures of \$426,820 back into the General Fund to properly state the General Fund Type and Special Revenue Fund Type activity on the audited financial statement and the district's ledgers. The above audit adjustment was made to the accompanying 2012 and 2011 financial statement along with the District's ledgers.

The District should review Ohio Revised Code before creating new funds outside of the General Fund and also receive Auditor of State approval for the establishment of new funds, based on their specific purpose.

Official's Response:

In the Fall of 2011, Mercer County – Celina City Health Department (MCCCHD) identified a problem with internally accounting for all expense and revenues within various specific health department programs. The aforementioned five programs were identified as programs which needed separate program budgets, to better account for all fiscal activities. However, this action on the part of the health department created an unintentional violation of the ORC 3709.28 C, as denoted above and by earlier discussions between our agency and the Audit Manager of the State Auditor. On Monday, October 28, 2013, MCCCHD Board member, health department staff, County Auditor and State Auditor staff meet at the health department to discuss, clarify and remedy the State Auditor Finding Number 2012-001. The Health Department will take the necessary corrective action of collaborating with the County Auditor in collapsing these five special revenue funds back into the general fund ((9001) of the health department. MCCCHD will also explore internal options within its independent financial software, to internally track all expense and revenues of all identified programs, while fully complying within the parameters of this identified Ohio Revised Code section.

FINDING NUMBER 2012-002

Material Weakness - Financial Statement Receipt and Disbursement Classifications

The District did not properly classify revenue and disbursement transactions. The following errors were noted on the District's 2012 and 2011 financial statements:

- The BCMH revenue in the General Fund was improperly presented on the 2011 annual report as Charges for Services instead of Intergovernmental Revenue in the amount of \$33,010.
- In 2012 and 2011, other expenditures were improperly presented on the financial reports. In 2011, this resulted in reclassifications of \$5,417 to travel and \$36,545 to remittance to state in the General Fund and \$10,157 to travel, \$32,601 to materials and supplies, \$56,489 to remittance to state, and \$14,566 to capital outlay in the Special Revenue Fund. In 2012, this resulted in reclassifications of \$4,336 to travel, \$36,208 to remittance to state, and \$11,200 to purchased/contract services in the General Fund; and \$7,779 to travel and \$56,682 to remittance to state in the Special Revenue Fund.
- Fund balances were not correctly classified in the Special Revenue Funds. Reclassifications in 2012 and 2011 resulted in \$49,906 and \$100,033 respectively, from assigned fund balances to restricted fund balances.

The above audit adjustments were made to fairly present the accompanying 2012 and 2011 financial statements.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The District should also review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

Official's Response:

Due to the unintentional actions that were identified in the official's response under Finding Number 2012-001; revenues and disbursement transactions were not classified accurately in the 2011 and 2012 financial statements. The five programs that were created as special revenue funds, created inaccuracies and misstatements. The Health Department will take the necessary corrective action of collaborating with the County Auditor and cross training fiscal support staff on proper fiscal accounting processes to ensure full compliance with posting each month and at the years end to ensure accuracy. MCCCHD will also develop policy and procedures to ensure fiscal compliance.

MERCER GENERAL HEALTH DISTRICT
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Outstanding Purchase Orders not for Valid Commitments	Yes	Corrected

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Dave Yost • Auditor of State

MERCER COUNTY GENERAL HEALTH BOARD

MERCER 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
NOVEMBER 26, 2013**