



Dave Yost • Auditor of State

HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Holmes County General Health District
Holmes County
85 North Grant Street
Millersburg, Ohio 44654

To the Board of Health:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Holmes County General Health District, Holmes County, Ohio, (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.

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 year 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 the Holmes County General Health District, Holmes County, Ohio 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 2 to the financial statements, during 2011 the Holmes County General Health District 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 July 8, 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

July 8, 2013

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$120,013	\$310,368	\$430,381
Fines, Licenses and Permits	250	343,578	343,828
Intergovernmental:			
Apportionments	207,537		207,537
Grants	5,000	654,094	659,094
Other	92,886		92,886
Earnings on Investments		11,186	11,186
Contributions and Donations	405	50,268	50,673
Miscellaneous	7,436	27,352	34,788
<i>Total Cash Receipts</i>	433,527	1,396,846	1,830,373
Cash Disbursements			
Current:			
Health:			
Personnel	273,186	957,854	1,231,040
Contract Services		73,821	73,821
Travel and Conferences	5,553	29,763	35,316
Supplies	14,294	94,590	108,884
Other Operating Expenses	91,050	413,803	504,853
Equipment	6,049	23,164	29,213
Office Space	48,181	21,959	70,140
<i>Total Cash Disbursements</i>	438,313	1,614,954	2,053,267
<i>Excess of Receipts (Under) Disbursements</i>	(4,786)	(218,108)	(222,894)
Other Financing Receipts (Disbursements)			
Grant Refund		(1,761)	(1,761)
Transfers In		38,959	38,959
Transfers Out	(18,959)	(20,000)	(38,959)
Advances In		71,600	71,600
Advances Out	(71,600)		(71,600)
<i>Total Other Financing Receipts (Disbursements)</i>	(90,559)	88,798	(1,761)
<i>Net Change in Fund Cash Balances</i>	(95,345)	(129,310)	(224,655)
<i>Fund Cash Balances, January 1</i>	146,659	696,579	843,238
Fund Cash Balances, December 31			
Restricted	0	567,269	567,269
Unassigned	51,314	0	51,314
<i>Fund Cash Balances, December 31</i>	\$51,314	\$567,269	\$618,583

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

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$85,877	\$942,514	\$1,028,391
Fines, Licenses and Permits	579	271,908	272,487
Intergovernmental:			
Apportionments	207,537		207,537
Grants	5,000	584,799	589,799
Other	73,245		73,245
Earnings on Investments		16,671	16,671
Contributions and Donations	220	119,824	120,044
Miscellaneous	20,721	39,566	60,287
<i>Total Cash Receipts</i>	<u>393,179</u>	<u>1,975,282</u>	<u>2,368,461</u>
Cash Disbursements			
Current:			
Health:			
Personnel	220,529	1,242,976	1,463,505
Contract Services		37,846	37,846
Travel and Conferences	5,843	45,436	51,279
Supplies	13,811	103,338	117,149
Other Operating Expenses	56,544	672,221	728,765
Equipment	3,336	13,857	17,193
Office Space	121,590	17,186	138,776
<i>Total Cash Disbursements</i>	<u>421,653</u>	<u>2,132,860</u>	<u>2,554,513</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(28,474)</u>	<u>(157,578)</u>	<u>(186,052)</u>
Other Financing Receipts (Disbursements)			
Transfers In	145,629	3,662	149,291
Transfers Out	(3,662)	(145,629)	(149,291)
Advances In	10,000	25,000	35,000
Advances Out	(25,000)	(10,000)	(35,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>126,967</u>	<u>(126,967)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	98,493	(284,545)	(186,052)
<i>Fund Cash Balances, January 1</i>	<u>48,166</u>	<u>981,124</u>	<u>1,029,290</u>
Fund Cash Balances, December 31			
Restricted	0	755,476	755,476
Assigned	25,820	0	25,820
Unassigned (Deficit)	120,839	(58,897)	61,942
<i>Fund Cash Balances, December 31</i>	<u>\$146,659</u>	<u>\$696,579</u>	<u>\$843,238</u>

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

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES 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 Holmes County General Health District, Holmes 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, inspections, public health nursing services 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 Holmes 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:

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

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Help Me Grow (HMG) Fund - This is a Federal grant fund that accounts for the Help Me Grow Program which provides health and developmental services so children start school healthy and ready to learn.

Hospice Fund and Hospice Endowment Fund - These funds receives charges for services money and donations for providing hospice care to county residents. The Hospice program was discontinued at the end of 2011.

Clinic Fund – This fund receives charges for services money for providing care to county residents.

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 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. 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 canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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:

1. Nonspendable

The District classifies assets as *nonspendable* 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.

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the District reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54.

3. 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	\$450,465	\$433,527	(\$16,938)
Special Revenue	1,915,636	1,507,405	(408,231)
Total	\$2,366,101	\$1,940,932	(\$425,169)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$542,819	\$528,872	\$13,947
Special Revenue	1,450,981	1,636,715	(185,734)
Total	\$1,993,800	\$2,165,587	(\$171,787)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$441,600	\$548,808	\$107,208
Special Revenue	2,936,349	2,003,944	(932,405)
Total	\$3,377,949	\$2,552,752	(\$825,197)

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,620	\$476,135	(\$9,515)
Special Revenue	2,195,029	2,288,489	(93,460)
Total	\$2,661,649	\$2,764,624	(\$102,975)

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Special Revenue Funds by \$185,734 for the year ended December 31, 2012 and in the General fund by \$9,515 and in the Special Revenue Funds by \$93,460 for the year ended December 31, 2011. Additionally, contrary to Ohio Revised Code 3709.28(E), appropriations posted in the Special Revenue Funds for \$685,458 for the year ended December 31, 2012 and in the General Fund for \$162 and Special Revenue Funds for \$1,089,709 for the year ended December 31, 2011 were not approved by the Board. Appropriations presented within this note have been corrected to only include Board authorized appropriations.

4. 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.

5. 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%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2012.

**HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY**

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

6. 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, 2010, 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.

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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the District's share of these unpaid claims collectible in future years is approximately \$8,859.

HOLMES COUNTY GENERAL HEALTH DISTRICT
HOLMES COUNTY

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

6. Risk Management (Continued)

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$6,293	\$8,426

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.

7. 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.

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

Holmes County General Health District
Holmes County
85 North Grant Street
Millersburg, Ohio 44654

To the Board of Health:

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 Holmes County General Health District, Holmes County, Ohio, (the District) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements and have issued our report thereon dated July 8, 2013 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and the District adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*

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 opinions 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. We consider findings 2012-003 and 2012-004 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-005 described in the accompanying Schedule of Findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-003.

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 Government'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

July 8, 2013

**HOLMES COUNTY DISTRICT BOARD OF HEALTH
HOLMES COUNTY**

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

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

1. **Ohio Rev. Code Section 5705.41(B)**

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2012, the District's disbursements, prior to any audit reclassifications, exceeded Board approved appropriations as follows:

Fund	Fund Name	<u>Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
E32	Help Me Grow	\$183,958	\$237,998	(\$54,040)
E33	WIC Grant	0	164,347	(164,347)
E39	Reproductive Health and Wellness	0	120,524	(120,524)

At December 31, 2011, the District's disbursements, prior to any audit reclassifications, exceeded Board approved appropriations as follows:

Fund	Fund Name	<u>Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
E12	Swimming Pool	\$6,650	\$7,795	(\$1,145)
E13	Manufactured Home	5,060	6,328	(1,268)
E22	Hospice Fund	851,500	1,109,708	(258,208)
E30	Family Planning Grant	0	19,046	(19,046)
E33	WIC Grant	10,000	176,368	(166,368)
E39	Reproductive Health and Wellness	0	31,036	(31,036)
E51	Hospice Endowment Fund	160,000	299,895	(139,895)

As a result, there is an increased risk the District could incur deficit cash fund balances.

The Board should approve all permanent and supplemental appropriations. Additionally, the Fiscal Officer should review budgetary reports to determine that disbursements are within appropriations. This will help reduce the risk the District could overspend and create deficit cash fund balances.

Official's Response: On a monthly basis the Holmes County Board of Health reviews and approves the financial reports. With each of these reports, the Board is provided the end of month appropriations and budgets along with encumbrances. Lengthy discussions of appropriations and disbursements have been occurring since 2008 and the national economic crisis that has affected everyone. The District has felt obliged to play even closer attention to the appropriations. As the Health Commissioner, I have made every effort to keep the Board apprised of our fiscal situation and I have worked diligently to ensure that the board approves all appropriations so that

disbursements coincide with appropriations. While we have not reached our goal of 100%, we are making considerable strides as indicated by the number of funds and value of the funds that were identified in 2012 vs. 2011.

One difficulty has been the appropriations for grants. Grant years and the calendar year do not coincide. It is not possible to predict at the beginning of the year our budget and appropriations since we are only guaranteed funding for the remainder of the current grant year. This means that in December, we may only know that we have funding through June. We may not know of any additional funding until we are given our NOA in June. At this point we approve the budget for the remainder of the year. We have spoken with the county auditor and are working towards a solution to this concern.

I do believe that the Board did approve appropriations for some of the disbursements in question. For example, in 2012, the Board approved \$90,000 in appropriations for E39 by Resolution 31-12. This in addition to the resolution from 2011 in the amount of \$97,300 would more than cover the disbursements in question in 2012. Additionally The WIC grant through resolution 56-12 received an appropriation of \$155,817 which in addition to the appropriation in 2011 would cover the disbursements.

These findings will be addressed at our board meeting on July 19, 2013 and the Board will take retroactively approve any missing items. We desire to reach 100% compliance and will continue to improve. We have put systems in place to ensure accurate communication with the board, but we will review the systems and make an action plan for correction. We thank you for the opportunity to identify gaps in our system and we will work to correct those gaps.

2. **Ohio Rev. Code Section 3709.28(E) and Ohio Admin. Code Section 117-2-02**

<i>Finding Number</i>	2012-002
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NONCOMPLIANCE

Ohio Rev. Code Section 3709.28(E) requires that any supplemental or reduction in appropriations be approved by the Board of Health. Any such action shall forthwith be certified by the secretary of the board of health to the auditor for submission to and approval by the budget commission. **Ohio Admin. Code Section 117-2-02(C)(1)** requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The District utilizes a software financial accounting system which is capable of integrating budgetary and actual financial information at a level lower than the legal level of budgetary control.

At December 31, 2012, Board approved appropriations did not agree with posted appropriations as follows:

Fund	Fund Name	Board Approved Appropriations	Posted Appropriations	Variance
E03	Clinic Fund	\$290,700	\$310,700	(\$20,000)
E32	Help Me Grow	183,958	329,422	(145,464)
E33	WIC Grant	0	309,791	(309,791)
E37	Public Health Infrastructure Grant	91,633	139,638	(48,005)
E39	Reproductive Health and Wellness	0	162,198	(162,198)

At December 31, 2011, Board approved appropriations did not agree with posted appropriations as follows:

Fund	Fund Name	Board Approved Appropriations	Posted Appropriations	Variance
E01	General Fund	\$466,620	\$466,782	(\$162)
E03	Clinic Fund	266,050	264,046	2,004
E12	Swimming Pool	650	7,795	(7,145)
E13	Manufactured Home	5,060	6,328	(1,268)
E22	Hospice Fund	851,500	1,111,169	(259,669)
E30	Family Planning Grant	0	22,748	(22,748)
E31	CFHS Grant	39,194	55,539	(16,345)
E32	Help Me Grow	202,221	359,480	(157,259)
E33	WIC Grant	10,000	351,374	(341,374)
E36	Immunization Action Grant	40,000	40,170	(170)
E37	Public Health Infrastructure Grant	154,394	192,829	(38,435)
E39	Reproductive Health and Wellness	0	97,300	(97,300)
E51	Hospice Endowment Fund	160,000	310,000	(150,000)

Variations occurred as not all supplemental appropriations posted were formally approved by the Board. Additionally, the District carried unspent appropriations from the budget of various grants from one year to the next. However, only outstanding encumbrances at year end can be forward from year to year and the District cancels all outstanding encumbrances. Therefore, there were no appropriations that could be carried forward from the end of one fiscal year to the next.

Utilizing inaccurate budgetary reports throughout the year increases the possibility that management will make financial decisions based off of inaccurate information. The District should review the Ohio Revised Code to gain a better understanding of all applicable budgetary requirements and review their process for having appropriations approved. They should review appropriations posted to the financial system to ensure that only approved appropriations are being reported in the financial system. This will help provide accurate budget versus actual comparisons and allow management and the Board to make informed financial decisions.

Official's Response: On a monthly basis the Holmes County Board of Health reviews and approves the financial reports. With each of these reports, the Board is provided the end of month appropriations and budgets along with encumbrances. Lengthy discussions of appropriations and disbursements have been occurring since 2008 and the national economic crisis that has affected everyone. The District has felt obliged to pay even closer attention to the appropriations. As the Health Commissioner, I have made every effort to keep the Board apprised of our fiscal situation and I have worked diligently to ensure that the board approves all appropriations. While we have not reached our goal of 100%, we are making considerable strides as indicated by the number of funds and value of the funds that were identified in 2012 vs. 2011.

One difficulty has been the appropriations for grants. Grant years and the calendar year do not coincide. It is not possible to predict at the beginning of the year our budget and appropriations since we are only guaranteed funding for the remainder of the current grant year. This means that in December, we may only know that we have funding through June. We may not know of any additional funding until we are given our NOA in June. At this point we approve the budget for the remainder of the year. We have spoken with the county auditor and are working towards a solution to this concern.

I do believe that the Board did approve appropriations for some of the funds in question. For example, in 2012, the Board approved \$90,000 in appropriations for E39 by Resolution 31-12. This in addition to the resolution 45-11 which in 2011 appropriated \$97,300 would account for much of the appropriations in question for E39. Additionally The WIC grant through resolution 56-12 received an appropriation of \$155,817 in 2012. I will provide a more thorough accounting of the board resolutions as the board has an opportunity to review the findings.

These finding will be addressed at our board meeting on July 19, 2013 and the Board will take retroactively approve any missing items. We desire to reach 100% compliance and will continue to improve. We have put systems in place to ensure accurate communication with the board, but we will review the systems and make an action plan for correction. We thank you for the opportunity to identify gaps in our system and we will work to correct those gaps.

3. **Repayment of Advances**

<i>Finding Number</i>	2012-003
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FINDING FOR ADJUSTMENT/MATERIAL WEAKNESS/NON-COMPLIANCE

Advances are inter-fund transactions that require repayment, in equal amount, from the debtor fund to the creditor fund. Unpaid advances require being reported on the financial statements as inter-fund receivables / payables. **AOS Bulletin 97-003** provides the District with guidance on making advances between funds, including the following:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:
 - A specific statement that the transaction is an advance of cash, and
 - An indication of the money (fund) from which it is expected that repayment will be made.

All advances and repayment of advances in 2011 and 2012 were determined to be allowable based upon the criteria listed above. However, the District had the following outstanding advances which included unpaid advances from prior years:

Fund #	Fund Name	Due From	Due To			
			Fund E00	Fund E12	Fund E19	Total
E01	Sewage Program Fund	62,900	42,900		20,000	62,900
E03	Clinic Fund	64,500	64,500			64,500
E06	Special Services Fund	23,000	23,000			23,000
E12	Swimming Pool	8,695	8,695			8,695
E13	Manufactured Home	7,250	6,300	950		7,250
E14	Private Water	50,672	50,672			50,672
E19	Food	7,000	7,000			7,000
		224,017	203,067	950	20,000	224,017

Significant amounts are due to the General Fund at December 31, 2012. Additionally, the District has previously made advances utilizing restricted revenues to finance other funds established for dissimilar purposes. Prior advances from the Swimming Pool Fund to the Manufactured Home fund are unallowable as Swimming Pool Fund revenue is restricted under **Ohio Rev. Code Section 3749.04(F)** for purposes different than that of the Manufactured Home Fund. Prior advances from the Food Fund to the Sewage Program Fund are unallowable as Food Fund revenue is restricted under **Ohio Rev. Code Section 3717.25(A)** for purposes different than that of the Sewage Program Fund.

Unpaid advances made from the Swimming Pool Fund and the Food Fund should be immediately repaid as they were made from restricted funds established for purposes different than the funds receiving the advance. Additionally, the District should consider converting unpaid advances owed to the General Fund to transfers, if they do not intend for the debtor fund to repay the creditor fund. This will help ensure management is aware of all outstanding advances, and that this activity is properly recorded and tracked.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 3749.04(F)** a Finding for Adjustment for public monies incorrectly expended is hereby issued against the E13 Manufactured Home Fund and in favor of the E12 Swimming Pool Fund in the amount of \$950. Additionally, in accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 3717.25(A)** a Finding for Adjustment for public monies incorrectly expended is hereby issued against the E01 Sewage Fund and in favor of the E19 Food Fund in the amount of \$20,000.

Official's Response: Except in the most obvious of circumstances, it is our expectation that the movement of money from our general fund (DISTRICT HEALTH) to other funds will be considered a temporary loan to cover short term losses. It is the expectation that the funds will pay back the advance. However, circumstances do not always allow that the funds can be advanced back to the general fund. This certainly creates complexities that we did not intend. We will take these findings to the Board of Health and work towards a solution that holds funds accountable, but takes into greater consideration the guidance provided in AOS Bulletin 97-003

4. **Financial Reporting**

<i>Finding Number</i>	2012-004
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the District's financial statements that required reclassifications as follows:

- All fund balances in the Special Revenue Funds were reported as "Unassigned" in 2012; however, revenue received in these funds are externally restricted. All funds also reported a positive balance. Therefore, in accordance with GASB Statement 54, fund balances in the Special Revenue Funds should be reported as "Restricted";
- All fund balances in the Special Revenue funds were reported as "Restricted" in 2011; however, three funds had a combined negative balance of \$58,897. Funds with deficit balances are required to have their balance reported as "Unassigned" in accordance with GASB Statement 54;
- The District made payments totaling \$234,696 from the Hospice Endowment Fund to the Hospice Fund to make "self pay" payments in 2011. The revenue was reported as Charges for Services in the Hospice Fund, and the disbursement was reported as a

- Transfer Out of the Hospice Endowment Fund. However, these transactions do not represent a source of actual revenue or an actual payment as there is no requirement for the Hospice Endowment Fund to make these payments. As a result, Charges for Services and Transfers Out were overstated by \$234,696 in 2011;
- The District reported \$1,304,271 in Charges for Services and \$112,889 in Fines, Licenses and Permits in the Special Revenue Funds in 2011. However, they could not determine how fees were split between these two classifications. Upon review of revenue sources, we determined that \$159,019 of the amount reported as Charges for Services should have been reported as Fines, Licenses and Permits. Additionally, the District reported \$38,066 in Intergovernmental Revenue in the Special Revenue Funds that should have been reported as Charges for Services based upon the type of revenue received;
 - The District reported \$83,061 in Intergovernmental Revenue in the General Fund in 2011; however, \$82,482 of this was received for Charges for Services such as vital statistic fees and the remaining \$579 was received for Fines, Licenses and Permits;
 - The District reported \$85,000 and \$62,797 as Other Revenue in the General Fund in 2012 and 2011, respectively. However, these amounts were paid by the Holmes County Board of Commissioners to provide additional support of the District. These amounts should be reported as Intergovernmental Revenue;
 - The District reported \$73,821 and \$37,896 as Personnel Disbursements in the Special Revenue Funds in 2012 and 2011, respectively. However, amounts represented various types of Contract Services;
 - The District reported \$50,268 and \$119,824 in Contributions and Donations as Other Revenue in the Special Revenue Funds in 2012 and 2011, respectively.

Sound financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures to identify and correct errors and omissions. In addition, the District should review the financial statements and notes prior to submission for audit.

The District's financial statements have been adjusted accordingly.

Official's Response: Thank you for the feedback and direction regarding the completion of Cash Basis Annual Financial Report. We have worked with the County Auditor's office to complete this item as completely as possible. We have yet to be trained fully with this new tool, and will continue to seek formal training. We found the advice and direction very helpful and we will be able to more completely perform the task in the future.

5. **Approval of Transfers**

<i>Finding Number</i>	2012-005
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SIGNIFICANT DEFICIENCY

During 2011, the District made multiple transfers between certain funds. The following three transfers were not formally approved by the Board:

- \$145,629 from the Hospice Endowment to the General Fund;
- \$3,478 from the General Fund to the Private Water Fund;
- \$22 from the General Fund to the Swimming Pool Fund

While the District is not governed by **Ohio Rev. Code Section 5705.14**, which requires Board approval of all transfers, unapproved transfers between funds decreases management oversight and increases the risk that monies could be used for unallowable purposes.

The Board should approve all transfers. This will help ensure the Board is aware of all financial activity of the District and mitigate the risk of monies being used for unintended purposes. Additionally, while the District is not governed by **Ohio Rev. Code Section 5705.14** regarding allowable transfers, revenues may still be restricted based upon other State or Federal statutes. The District should review applicable statutes before making transfers in order to ensure that restricted revenues are not being improperly used.

Official's Response: On a monthly basis the Holmes County Board of Health reviews and approves the financial reports. With each of these reports, the Board is provided the end of month appropriations and budgets along with encumbrances and transfers and advances. While attempts to have transfers and advances approved with a Board action is always what we strive to achieve, we have missed the three listed. We will retroactively approve these at the board meeting on July 19th. The Board of Health was aware of these transfers.

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Dave Yost • Auditor of State

HOLMES COUNTY GENERAL HEALTH DISTRICT

HOLMES 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
JULY 25, 2013**