



Dave Yost • Auditor of State

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

General Health District
Washington County
342 Muskingum Drive
Marietta, Ohio 45750

To the Board of Health:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the General Health District, Washington County, Ohio (the Health District), as of and for the years ended December 31, 2017 and 2016.

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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 Health 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 Health District's internal control. Accordingly, we express no such 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Health District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Health District as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General Health District, Washington County, Ohio, as of , for the then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, on our consideration of the Health 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 Health District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2018

General Health District

Washington County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Charges for Services | \$198,450 | \$247,838 | \$0 | \$446,288 |
| Fines, Licenses and Permits | 1,695 | 192,034 | 0 | 193,729 |
| Intergovernmental: | | | | |
| Apportionments | 258,500 | 0 | 0 | 258,500 |
| Grants | 0 | 559,884 | 0 | 559,884 |
| Other | 44,070 | 160,295 | 0 | 204,365 |
| Vehicle Use & Indirect Cost Reimbursement | 65,522 | 0 | 800 | 66,322 |
| Refunds | 3,632 | 0 | 0 | 3,632 |
| Other | 2,054 | 0 | 0 | 2,054 |
| Escrow Payments | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 6,015 | 0 | 6,015 |
| <i>Total Cash Receipts</i> | <u>573,923</u> | <u>1,166,066</u> | <u>800</u> | <u>1,740,789</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Health: | | | | |
| Administration | 73,343 | 55,618 | 0 | 128,961 |
| Accreditation | 0 | 22,790 | 0 | 22,790 |
| Personnel Costs | 271,175 | 418,437 | 0 | 689,612 |
| Board of Health Costs | 4,313 | 0 | 0 | 4,313 |
| Environmental | 375 | 275,756 | 0 | 276,131 |
| Nursing | (49) | 76,834 | 0 | 76,785 |
| Preparedness | 2,763 | 65,343 | 0 | 68,106 |
| Health Promotion Contracts/Grants | 117,412 | 69,183 | 0 | 186,595 |
| Dental Sealants | 12 | 11,286 | 0 | 11,298 |
| Vital Statistics | 1,107 | 0 | 0 | 1,107 |
| Remittance to State | 25,703 | 12,967 | 0 | 38,670 |
| Capital Outlay | 0 | 378 | 0 | 378 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 236,712 | 0 | 236,712 |
| <i>Total Cash Disbursements</i> | <u>496,154</u> | <u>1,245,304</u> | <u>0</u> | <u>1,741,458</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>77,769</u> | <u>(79,238)</u> | <u>800</u> | <u>(669)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Proceeds of Loan | 0 | 236,712 | 0 | 236,712 |
| Advances In | 45,000 | 38,000 | 0 | 83,000 |
| Advances Out | (38,000) | (45,000) | 0 | (83,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>7,000</u> | <u>229,712</u> | <u>0</u> | <u>236,712</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>84,769</u> | <u>150,474</u> | <u>800</u> | <u>236,043</u> |
| <i>Fund Cash Balances, January 1</i> | <u>143,079</u> | <u>331,514</u> | <u>0</u> | <u>474,593</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 481,988 | 0 | 481,988 |
| Committed | 0 | 0 | 800 | 800 |
| Assigned | 17,554 | 0 | 0 | 17,554 |
| Unassigned (Deficit) | 210,294 | 0 | 0 | 210,294 |
| <i>Fund Cash Balances, December 31</i> | <u>\$227,848</u> | <u>\$481,988</u> | <u>\$800</u> | <u>\$710,636</u> |

See accompanying notes to the basic financial statements

General Health District
Washington County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

| | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Miscellaneous | <u>12,455</u> |
| <i>Total Operating Cash Receipts</i> | <u>12,455</u> |
| Operating Cash Disbursements | |
| Contractual Services | <u>17,973</u> |
| <i>Total Operating Cash Disbursements</i> | <u>17,973</u> |
| <i>Operating Income (Loss)</i> | <u>(5,518)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>6,000</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$482</u></u> |

See accompanying notes to the basic financial statements

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Washington County, Ohio (Health District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. The Health District's services include communicable disease investigations, immunization clinics, inspections, population health initiatives, public health nursing services and issues health-related licenses and permits.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Health District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

Fund Accounting

The Health District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Health District are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Health District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Health District had the following significant Special Revenue Funds:

Public Health Nursing Fund This fund receives fees for providing immunizations; School Nurse services; BCMH service coordination; PAX and RSVP programs in the schools.

Food Service Fund This fund receives licenses, plan review fees, and late fees for Food Service and Retail Food Establishments

Sewage Fund This fund receives fees for home sewage disposal system inspections, system designs, installation permits and operation licenses; commercial plumbing plan reviews and permits.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Health District had the following significant capital project fund:

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Improvement Fund The Board of Health established a capital improvement fund in 2017 for the purpose of setting aside part of the fleet vehicle use charges to purchase a vehicle. The first funds to be deposited were for the November 2017 fleet use reimbursements.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Health District's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Health District disburses these funds as directed by the individual, organization or other government. The Health District's agency fund was established by Resolution 2016-004 and is for the benefit of recipients of the Water Pollution Control Loan Fund contract. The required match funds are collected from eligible applicants and held in escrow to pay the contractor completing the work. Any unused funds are required to be returned to the recipient. Monies collected into this fund do not belong to the Health District, nor can they be used for any Health District program.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the line item level of control, and appropriations may not exceed estimated resources. The Health District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2017 budgetary activity appears in Note 3.

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

The Health District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Fund Balance

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

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.

Committed The Board can *commit* amounts via formal action (resolution). The Health District must adhere to these commitments unless the Board amends 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.

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 Health District official delegated that authority by resolution, or by State Statute.

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 Health 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.

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017, follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$603,665 | \$618,923 | \$15,258 |
| Special Revenue | 1,153,407 | 1,440,778 | 287,371 |
| Total | \$1,757,072 | \$2,060,501 | \$303,429 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$574,330 | \$551,708 | \$22,622 |
| Special Revenue | 1,213,745 | 1,320,322 | (106,577) |
| Total | \$1,788,075 | \$1,872,030 | (\$83,955) |

Note 4 – Deposits and Investments

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

Note 5 – Intergovernmental Funding

Intergovernmental Funding

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

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of \$13,000 advanced from the General Fund to the Creating Health Community Fund to provide working capital for operations or projects.

Note 7 – Risk Management

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

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

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

The Health 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 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016. (latest information available)

| | <u>2016</u> |
|--------------|---------------------|
| Assets | \$42,182,281 |
| Liabilities | <u>(13,396,700)</u> |
| Net Position | <u>\$28,785,581</u> |

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Health District's share of these unpaid claims collectible in future years is approximately \$3,000.

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>2017 Contributions to PEP</u> |
| \$4,011 |

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.

General Health District
Washington County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Health 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. OPERS members contributed 10% percent of their gross salaries and the Health District contributed an amount equaling 14% percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2017.

Social Security

The Health District's Board of Health members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Board members contributed 6.2 percent of their gross salaries. The Health District contributed an amount equal to 6.2 percent of Board members' gross salaries. The Health District has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Contingent Liabilities

The Health District is defendant in one lawsuit. Although management cannot presently determine the outcome of that suit, management believes that the resolution of these matters will not materially adversely affect the Health District's financial condition.

Amounts grantor agencies pay to the Health District are subject to audit and adjustment by the grantor, principally the Ohio Department of Health. 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.

Note 11 – Subsequent Events

Outstanding advance of \$13,000 to the Creating Health Communities Fund was returned in January 2018.

General Health District
Washington County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

| | General | Special Revenue | Totals (Memorandum Only) |
|---|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Charges for Services | \$178,450 | \$133,923 | \$312,373 |
| Fines, Licenses and Permits | 2,140 | 211,231 | 213,371 |
| Intergovernmental: | | | |
| Apportionments | 258,500 | 0 | 258,500 |
| Grants | 0 | 392,283 | 392,283 |
| Other | 26,625 | 106,108 | 132,733 |
| Mileage Reimbursement for County Vehicle Use | 46,391 | 0 | 46,391 |
| Miscellaneous | 2,566 | 13,633 | 16,199 |
| <i>Total Cash Receipts</i> | <u>514,672</u> | <u>857,178</u> | <u>1,371,850</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Health: | | | |
| Administration | 42,478 | 30,860 | 73,338 |
| Accreditation | 0 | 15,678 | 15,678 |
| Personnel Costs | 204,056 | 384,836 | 588,892 |
| Board of Health Costs | 4,220 | 0 | 4,220 |
| Environmental | 600 | 55,511 | 56,111 |
| Nursing | 4,386 | 72,637 | 77,023 |
| Preparedness | 138 | 197,837 | 197,975 |
| Health Promotion Contracts/Grants | 134,745 | 64,203 | 198,948 |
| Dental Sealants | 0 | 10,926 | 10,926 |
| Vital Statistics | 437 | 0 | 437 |
| Remittance to State | 22,713 | 6,223 | 28,936 |
| Debt Service: | | | |
| Principal Retirement | 0 | 28,325 | 28,325 |
| <i>Total Cash Disbursements</i> | <u>413,773</u> | <u>867,036</u> | <u>1,280,809</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>100,899</u> | <u>(9,858)</u> | <u>91,041</u> |
| Other Financing Receipts (Disbursements) | | | |
| Proceeds of Loan | 0 | 28,325 | 28,325 |
| Transfers In | 0 | 40,000 | 40,000 |
| Transfers Out | (40,000) | 0 | (40,000) |
| Advances In | 20,000 | 45,000 | 65,000 |
| Advances Out | (45,000) | (20,000) | (65,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(65,000)</u> | <u>93,325</u> | <u>28,325</u> |
| <i>Net Change in Fund Cash Balances</i> | 35,899 | 83,467 | 119,366 |
| <i>Fund Cash Balances, January 1</i> | <u>107,180</u> | <u>248,047</u> | <u>355,227</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 331,514 | 331,514 |
| Committed | 10,482 | 0 | 10,482 |
| Unassigned (Deficit) | 132,597 | 0 | 132,597 |
| <i>Fund Cash Balances, December 31</i> | <u>\$143,079</u> | <u>\$331,514</u> | <u>\$474,593</u> |

See accompanying notes to the basic financial statements

General Health District
Washington County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

| | <u>Fiduciary Fund Type</u> |
|--|----------------------------|
| | <u>Agency</u> |
| Operating Cash Receipts | |
| Miscellaneous | <u>6,000</u> |
| <i>Total Operating Cash Receipts</i> | <u>6,000</u> |
| <i>Operating Income (Loss)</i> | <u>6,000</u> |
| <i>Fund Cash Balances, January 1</i> | <u>0</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$6,000</u></u> |

See accompanying notes to the basic financial statements

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Primary Government

The constitution and laws of the State of Ohio establish the rights and privileges of the General Health District, Washington County, Ohio (the Health District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. The Health District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, population health activities, the issuance of health-related licenses and permits, and emergency response planning.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

This fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Health District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Health District had the following significant Special Revenue Funds:

Public Health Nursing Fund – This fund accounts for all financial resources received and disbursed for the delivery of public health nursing services. These services include, but are not limited to, immunizations, clinics, infectious disease surveillance and investigation, and a school nurse contract.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Creating Healthy Communities – This fund accounts for the grant funds awarded by the Ohio Department of Health for this particular program.

PHEP13 – This fund accounts for the grant funds awarded by the Ohio Department of Health for this particular program.

Ebola – This fund accounts for the grant funds awarded by the Ohio Department of Health for this particular program.

Sewage Fund – This fund accounts for the fees collected for inspections, permits to install, licenses to install, and licenses to operate and maintain home sewage treatment systems in Washington County, Ohio; and permits and fixture fees associated with commercial plumbing permits in Washington, Noble and Monroe counties, Ohio.

The other governmental funds of the Health District account for grants and other resources whose use is restricted for a particular purpose.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Health District's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Health District disburses these funds as directed by the individual, organization or other government. The Health District's agency fund was established by Resolution 2016-004 and is for the benefit of recipients of the Water Pollution Control Loan Fund contract. The required match funds are collected from eligible applicants and held in escrow to pay the contractor completing the work. Any unused funds are required to be returned to the recipient. Monies collected into this fund do not belong to the Department, nor can they be used for any Department program.

E. Budgetary Process

The Ohio Revised Code requires the Health 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. 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 approve estimated resources.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Encumbrances

The Ohio Revised Code requires the Health 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 2016 budgetary activity appears in Note 2.

F. Fund Balance

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

1. 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.

2. Committed

The Board can commit amounts via formal action (resolution). The Health District must adhere to these commitments unless the Board amends 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.

3. 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 Health 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 Health 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
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$548,469 | \$534,672 | (\$13,797) |
| Special Revenue | 934,978 | 970,503 | 35,525 |
| Total | \$1,483,447 | \$1,505,175 | \$21,729 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$548,729 | \$509,255 | \$39,474 |
| Special Revenue | 1,036,430 | 902,341 | 134,089 |
| Total | \$1,585,159 | \$1,411,596 | \$173,563 |

3. INTERGOVERNMENTAL FUNDING

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

4. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System

The Health 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 2016, OPERS members contributed 10%, respectively, of their gross salaries and the Health District contributed an amount equaling 14%, respectively, of participants' gross salaries. The Health District has paid all contributions required through December 31, 2016.

Social Security

The Health District's Board of Health members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Board members contributed 6.2 percent of their gross salaries. The Health District contributed an amount equal to 6.2 percent of Board members' gross salaries. The Health District has paid all contributions required through December 31, 2016.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

5. RISK MANAGEMENT

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

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

The Health 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 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

| | <u>2016</u> |
|--------------|----------------------------|
| Assets | \$42,182,281 |
| Liabilities | <u>(13,396,700)</u> |
| Net Position | <u>\$28,785,581</u> |

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Health District's share of these unpaid claims collectible in future years is approximately \$2,000.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(CONTINUED)**

5. 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.

| |
|--|
| 2016 Contributions to PEP \$3,952 |
|--|

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 Health District are subject to audit and adjustment by the grantor principally the Ohio Department of Health. 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.



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
Washington County
342 Muskingum Drive
Marietta, Ohio 45750

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 cash balances, receipts, and disbursements by fund type of the General Health District, Washington County, Ohio (the Health District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 21, 2018, wherein we noted the Health District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Health 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 Health District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the '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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Health 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.

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www.ohioauditor.gov

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Health District's Responses to Findings

The Health District's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Health 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 Health District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Health District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

June 21, 2018

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

The Health District should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Health District should have procedures in place for a review of transactions posted by the Fiscal Office.

The following misclassifications/adjustments were noted in the Health District's financial statements that required adjustment for 2017:

- Revenue in the amount of \$27,198 received from the contract between the Health District and Washington County Career Center was posted to intergovernmental revenue instead of charges for services;
- Revenue in the amount of \$35,000 received from the contract between the Health District and the Washington County Behavioral Health Board was posted to intergovernmental revenue instead of charges for services; and
- Revenue in the amount of \$150,131 received from the contract between the Health District and the Athens City-County Health Department was posted to intergovernmental revenue instead of charges for service;
- All receipts (\$12,455) and disbursements (\$17,973) relating to customer deposits for septic projects were incorrectly accounted for in a Special Revenue Fund rather than in an Agency Fund.

The following misclassifications/adjustments were noted in the Health District's financial statements that required adjustment for 2016:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Health District improperly reported eight Special Revenue funds' fund cash balances in the total amount of \$165,704 as assigned instead of restricted and six Special Revenue funds' cash fund balances in the total amount of \$165,809, as unassigned instead of restricted. Also, the Health District reported outstanding encumbrances in the amount of \$10,482 in the General Fund as committed instead of assigned; and
- All receipts (\$6,000) relating to customer deposits for septic projects were incorrectly accounted for in a Special Revenue Fund rather than in an Agency Fund.

The significant reclassifications and adjustments, with which management agrees, were posted to the financial statements of the Health District.

To ensure the Health District's financial statements and notes to the financial statements are complete and accurate, the Fiscal Office should review the audit adjustments, the contracts, and Auditor of State Bulletin 2011-004 for guidance on the correct line items to post various receipts as well as fund balance classifications of the Health District in future years.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|--|

FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

Officials' Response:

There are four instances of misclassifications/adjustments. While management does not disagree with the finding, it must be noted that three of the four involve funding received from governmental entities classified as intergovernmental revenue. It is agreed that the funds were received as fees for services, and so management does not disagree with the adjustments.

The fourth instance involved the Escrow Fund. Management does not agree that in FY2017 the funds were incorrectly accounted for in a Special Revenue Fund throughout the report. On page 5 of the report submitted to the Hinkle System, the WPCLF Escrow Fund is identified as a Private-Purpose Trust Fund. It is also identified as a Private-Purpose Trust Fund in the supplemental worksheets. The management does agree that there is not a separate column for Private-Purpose Trust Fund in the financial statements, which could be confusing. The report shell downloaded from the Auditor of State website did not include a separate page for Agency/Private-Purpose Trust funds, and the fiscal officer did not think to create one.

The Health Department has invested in a new financial system, Financial Edge NXT, and has created a new procedure for classifying funds. This should alleviate any misclassifications in future reports.

Management would also like to point out that the findings for FY2016, classifying fund balance restrictions incorrectly, were corrected and not repeated in FY2017.

FINDING NUMBER 2017-002

Material Weakness

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

During 2016, loan proceeds in the amount of \$23,825 from the Ohio Water Development Authority (OWDA) for Account #7390 were posted to intergovernmental revenue instead of proceeds of loan in the Sewage Fund. We also found during 2016 OWDA issued principal forgiveness in the amount of \$23,825 for Account #7390 that was not recorded as intergovernmental receipts and principal forgiveness by the Health District to the Sewage Fund.

**GENERAL HEALTH DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

During 2017, loan proceeds in the amount of \$236,712 from the Ohio Water Development Authority (OWDA) for Account #7390 were posted to charges for services instead of proceeds of loan in the Sewage Fund. We also found during 2016 OWDA issued principal forgiveness in the amount of \$236,712 for Account #7390 that was not recorded as intergovernmental receipts and principal forgiveness by the Health District to the Sewage Fund.

These significant adjustments, with which management agrees, were posted to the financial statements and accounting system of the Health District.

All "on-behalf" payments should be posted to the Health District's ledgers.

Officials' Response: The management agrees that the funds for the WPCLF loan contract #7390 were not posted as proceeds from debt and principle forgiveness. The Health Department financial system (the proprietary Capstone database) does not have the capability of handling the non-cash nature of debt forgiveness. The Health Department has invested in a new financial system, Financial Edge NXT, a true financial software package, which will correct this deficit in capability.

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Dave Yost • Auditor of State

WASHINGTON COUNTY DISTRICT BOARD OF HEALTH

WASHINGTON 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 10, 2018