



OHIO AUDITOR OF STATE
KEITH FABER



**GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Gallia County General Health District
Gallia County
499 Jackson Pike, Suite D
Gallipolis, Ohio

To the Board of Trustees:

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 Gallia County General Health District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2018 and 2017.

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 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 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 2 of the financial statements, the 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 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 District as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Gallia County General Health District, Gallia County, Ohio, as of December 31, 2018 and 2017, for the years 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 2.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the District will continue as a going concern. As discussed in Note 11 to the 2018 Notes to the Financial Statements, the District has suffered recurring losses and had a total deficit balance of \$158,140 at October 31, 2019 and a total fund balance of \$318,045 at December 31, 2019 after obtaining a \$360,000 bank loan that must be repaid by September 5, 2021. These conditions raise substantial doubt about the District's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 11 of the 2018 Notes to the Financial Statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2020

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Gallia County General Health District

Gallia County

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

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$435,506	148,341	583,847
Fines, Licenses and Permits	3,714	131,484	135,198
Intergovernmental:			
Apportionments	403,702	0	403,702
Grants	41,722	917,084	958,806
Miscellaneous	34,242	21,355	55,597
<i>Total Cash Receipts</i>	<u>918,886</u>	<u>1,218,264</u>	<u>2,137,150</u>
Cash Disbursements			
Current:			
Health:			
Salaries	460,963	472,681	933,644
Fringe Benefits	110,506	143,130	253,636
Supplies	482,704	88,595	571,299
State Remittances	41,109	42,391	83,500
Travel	4,700	4,516	9,216
Contract Services	18,900	338,745	357,645
Equipment	0	1,548	1,548
Other	59,153	41,214	100,367
Debt Service:			
Principal Retirement	0	299,794	299,794
<i>Total Cash Disbursements</i>	<u>1,178,035</u>	<u>1,432,614</u>	<u>2,610,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(259,149)</u>	<u>(214,350)</u>	<u>(473,499)</u>
Other Financing Receipts (Disbursements)			
Loan from Gallia County	99,408	59,724	159,132
Proceeds of Debt	0	299,794	299,794
Advances In	61,950	0	61,950
Advances Out	0	(61,950)	(61,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>161,358</u>	<u>297,568</u>	<u>458,926</u>
<i>Net Change in Fund Cash Balances</i>	(97,791)	83,218	(14,573)
<i>Fund Cash Balances, January 1</i>	<u>97,791</u>	<u>25,241</u>	<u>123,032</u>
Fund Cash Balances, December 31			
Restricted	0	108,459	108,459
Assigned	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u>\$0</u>	<u>\$108,459</u>	<u>\$108,459</u>

See accompanying notes to the basic financial statements

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Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The District belongs to the Public Entities Risk Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The 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 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 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 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 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 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.

WPCLF Fund This fund receives OWDA loans through a principal forgiveness program for water pollution control.

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 District to budget each fund annually.

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. Appropriations lapse at year end.

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

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.

A summary of 2018 budgetary activity appears in Note 4.

Capital Assets

The 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 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:

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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 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 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 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.

Note 3 – Compliance

Contrary to Ohio law, the District had appropriations in excess of estimated resources in the General Fund by \$17,686 and in the WPCLF Fund by \$31,376 at December 31, 2018. Additionally, contrary to Ohio law, the District had expenditures in excess of appropriations in the Reproductive Health and Wellness Grant Fund by \$24,621, in the PHEP Grant Fund by \$25,177, in the MCH Grant Fund by \$43,832, in the WIC Grant Fund by \$137,886 and in the Tobacco Grant Fund by \$27,523 at December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018, follows:

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,080,244	\$1,080,244	\$0
Special Revenue	1,227,662	1,577,782	350,120
Total	\$2,307,906	\$2,658,026	\$350,120

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,257,854	\$1,178,035	\$79,819
Special Revenue	1,391,873	1,494,564	(102,691)
Total	\$2,649,727	\$2,672,599	(\$22,872)

Note 5 – Deposits and Investments

As required by the Ohio Revised Code, the Gallia 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.

Note 6 – Intergovernmental Funding and Property Taxes

Intergovernmental Funding

The Gallia County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$403,702 in 2018. The financial statements present these amounts as intergovernmental receipts.

Note 7 – 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.

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Risk Management (Continued)

Risk Pool Membership

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018.

Note 10 – Contingent Liabilities

The District is not aware of any pending litigation.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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 – Going Concern/Subsequent Event

At December 31, 2018, the General Fund, BCMH Fund, Water Systems Fund, Get Vaccinated Ohio Fund, PHEP Grant Fund, WIC Grant Fund, and Tobacco Grant Fund all reported fund balances of \$0. These funds received a loan from Gallia County on December 31, 2018 in the amount of \$99,408 in the General Fund, \$23,833 in the BCMH Fund, \$346 in the Water Systems Fund, \$5,105 in the Get Vaccinated Ohio Fund, \$9,127 in the PHEP Grant Fund, \$12,103 in the WIC Grant Fund, and \$9,210 in the Tobacco Grant Fund. These were the amounts necessary to clear out all District funds with deficit balances at December 31, 2018. The loan was repaid on January 7, 2019 returning these funds to deficit fund balances. The loan received from the county totaled \$159,132 but total of all funds at December 31, 2018 was \$108,459, including the loan receipt, indicating the District had a total fund deficit of \$50,673 without the loan.

On October 31, 2019, the District's deficit funds included the General Fund (\$122,820), BCMH Fund (\$17,054), Food Services Fund (\$599), Trailer Parks Fund (\$33), Water Systems Fund (\$918), Get Vaccinated Ohio Fund (\$6,805), Naloxone Grant Fund (\$1,602), PHEP Grant Fund (\$13,095), WIC Grant Fund (\$43,374), Solid Waste Fund (\$21,538), Sewage Treatment Systems Fund (\$5,354), and Cribs for Kids Fund (\$7,364). Due to the deficit balances in these funds, the total of all District funds on October 31, 2019 was a deficit \$158,140.

On November 18, 2019, the Board approved to borrow \$360,000 from the Ohio Valley Bank. The purpose stated in this bank loan is to supply cash for a shortfall in 2019 in lieu of levy funds to be received in 2020. This loan is to be repaid in four installments. The installments of \$94,081, including principal and interest, to be paid on May 5, 2020, September 5, 2020, and May 5, 2021 with a final payment of the entire balance of unpaid principal, fees and charges, and accrued and unpaid interest on September 5, 2021.

The loan proceeds were deposited into the General Fund on November 27, 2019. At December 31, 2019, the General Fund then advanced money to the Special Revenue Funds still showing deficit balances. These funds include BCMH Fund (\$11,521), Get Vaccinated Ohio Fund (\$6,526), Naloxone Grant Fund (\$5,710), PHEP Grant Fund (\$15,661), MCH Grant Fund (\$2,091), WIC Grant Fund (\$17,785), C&D Disposal Fees Fund (\$16), Tobacco Grant Fund (\$4,282), and Cribs for Kids Fund (\$8,700). Total of all District Funds at December 31, 2019 was \$318,045 including the loan proceeds of \$360,000.

Gallia County General Health District
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Going Concern/Subsequent Event (Continued)

In order to repay the loan and not revert to a cash shortfall, the Board has approved placing a .5 mill levy on the March 2020 primary ballot.

The accompanying financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

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Gallia County General Health District
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Charges for Services	\$455,832	31,369	487,201
Fines, Licenses and Permits	4,569	145,652	150,221
Intergovernmental:			
Apportionments	401,942	0	401,942
Grants	49,244	609,644	658,888
Miscellaneous	61,857	34,688	96,545
<i>Total Cash Receipts</i>	<u>973,444</u>	<u>821,353</u>	<u>1,794,797</u>
Cash Disbursements			
Current:			
Health:			
Salaries	339,453	485,929	825,382
Fringe Benefits	76,024	136,811	212,835
Supplies	319,466	70,379	389,845
State Remittances	38,000	40,931	78,931
Travel	3,658	17,079	20,737
Contract Services	15,857	18,760	34,617
Equipment	10,640	40,278	50,918
Other	61,707	40,319	102,026
<i>Total Cash Disbursements</i>	<u>864,805</u>	<u>850,486</u>	<u>1,715,291</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>108,639</u>	<u>(29,133)</u>	<u>79,506</u>
Other Financing Receipts (Disbursements)			
Advances In	38,218	61,950	100,168
Advances Out	(61,950)	(38,218)	(100,168)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,732)</u>	<u>23,732</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	84,907	(5,401)	79,506
<i>Fund Cash Balances, January 1</i>	<u>12,884</u>	<u>30,642</u>	<u>43,526</u>
Fund Cash Balances, December 31			
Restricted	0	25,241	25,241
Assigned	97,791	0	97,791
<i>Fund Cash Balances, December 31</i>	<u>\$97,791</u>	<u>\$25,241</u>	<u>\$123,032</u>

See accompanying notes to the basic financial statements

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Gallia County General Health District
Gallia 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 Gallia County General Health District, Gallia County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, and public health nursing services, and the District issues health-related licenses and permits.

Public Entity Risk Pool

The District belongs to the Public Entities Risk Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

The 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 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 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 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 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 District had the following significant Special Revenue Fund:

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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 District to budget each fund annually.

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. Appropriations lapse at year end.

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

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 2017 budgetary activity appears in Note 4.

Capital Assets

The 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 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:

Nonspendable The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Committed The Board can *commit* amounts via formal action (resolution). The 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 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 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.

Note 3 – Compliance

Contrary to Ohio law, the District had appropriations in excess of estimated resources in the Food Service Fund by \$11,929, in the Reproductive Health and Wellness Grant Fund by \$65,761, in the PHEP Grant Fund by \$35,041, in the MCH Grant Fund by \$15,069, in the WIC Grant Fund by \$95,608 and in the Tobacco Grant Fund by \$8,966 at December 31, 2017.

Note 4 – 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	\$1,011,662	\$1,011,662	\$0
Special Revenue	883,303	883,303	0
Total	\$1,894,965	\$1,894,965	\$0

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$993,354	\$926,755	\$66,599
Special Revenue	1,073,234	938,204	135,030
Total	\$2,066,588	\$1,864,959	\$201,629

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

Note 5 – Deposits and Investments

As required by the Ohio Revised Code, the Gallia 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.

Note 6 – Intergovernmental Funding and Property Taxes

Intergovernmental Funding

The Gallia County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$401,942 in 2017. The financial statements present these amounts as intergovernmental receipts.

Note 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of \$61,950 advanced from the General Fund to BCMH Fund (\$9,285), IAP Fund (\$675), Reproductive Health and Wellness Grant Fund (\$12,342), PHEP Grant Fund (\$469), MCH Grant Fund (\$11,931), WIC Grant Fund (\$21,989) and Tobacco Grant Fund (\$5,259) to eliminate deficit fund balances at December 31, 2017.

Note 8 – Risk Management

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

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York 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, 2017, 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.

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

Note 8 – Risk Management (Continued)

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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years is approximately \$6,000.

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>
\$8,801

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.

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

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

Note 9 – Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 10 – 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan was 1 percent during calendar year 2017.

Note 11 – Contingent Liabilities

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

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

OHIO AUDITOR OF STATE KEITH FABER



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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*

Gallia County General Health District
Gallia County
499 Jackson Pike, Suite D
Gallipolis, Ohio 45631

To the Board of Trustees:

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 Gallia County General Health District, Gallia County, Ohio (the District), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 5, 2020 wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the District was experiencing financial difficulties.

Internal Control Over Financial Reporting

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

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 District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding Number 2018-004 to be a material weakness.

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 2018-001 through 2018-003.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2020

**GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.39 provides, in part, the total appropriations from each fund shall not exceed the total estimated resources.

At December 31, 2018, appropriations approved by the Board of Health exceeded estimated resources as follows:

Fund	Approved Appropriations	Estimated Resources	Variance
General	\$1,257,854	\$1,239,986	\$17,868
WPCLF	300,000	268,624	31,376

At December 31, 2017, appropriations approved by the Board of Health exceeded estimated resources as follows:

Fund	Approved Appropriations	Estimated Resources	Variance
Food Service	\$83,867	\$71,938	\$11,929
Reproductive Health & Wellness Grant	172,941	107,180	65,761
PHEP Grant	111,405	76,364	35,041
MCH Grant	95,298	80,229	15,069
WIC Grant	327,246	231,638	95,608
Tobacco Grant	117,822	108,856	8,966

This could result in overspending of available resources and deficit fund balances.

At each year end, the County amends estimated receipts and appropriations in all funds to agree to the actual receipts and disbursements. However, the Board of Health did not approve these appropriation amendments made by the County to the Health District funds.

The Board of Health should monitor appropriations to ensure they do not exceed estimated resources and approve all appropriation amendments made to the Health District funds.

Officials' Response: The Fiscal Officer will work with the Deputy Auditor to make sure the approved appropriations and estimated resources by the Board of Health match the appropriations and estimated resources of the County and report to the Board of Health in January.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

**GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-002 (Continued)

Noncompliance (Continued)

At December 31, 2018, expenditures exceeded appropriations approved by the Board of Health in the following funds:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Reproductive Health & Wellness Grant	\$134,036	\$158,657	(\$24,621)
PHEP Grant	49,554	74,731	(25,177)
MCH Grant	19,099	62,931	(43,832)
WIC Grant	124,786	262,673	(137,887)
Tobacco Grant	70,639	98,162	(27,523)

The practice of allowing expenditures to exceed appropriations could result in deficit fund balances.

At each year end, the County amends appropriations in all funds to agree to the actual disbursements. However, the Board of Health did not approve these appropriation amendments made by the County to the Health District funds.

The Board of Health should monitor expenditures as compared to appropriations to ensure they do not exceed the approved appropriations and approve all appropriation amendments made to the Health District funds.

Officials' Response: The Fiscal Officer will work with the Deputy Auditor to make sure the approved appropriations by the Board of Health match the expenditures of the County and report to the Board in January.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003 (Continued)

Noncompliance (Continued)

1. "Then and Now" certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line- item appropriation.

The District had unrecorded encumbrances totaling \$38,917 at December 31, 2018 and \$49,500 at December 31, 2017 representing amounts not certified by the County Auditor at the time the commitment was incurred. There was no other evidence that the County followed aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certification should be used.

The District should follow the requirements of § 5705.41(D) when certifying that funds are, or will be, available prior to obligations being incurred or issue then and now certificates when prior certification isn't possible.

Officials' Response: The Fiscal Officer will make sure Then and Now certificates are issued. Also, encumber all possible expenses to purchase orders at the end of each year.

**GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-004

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

As a result of the audit procedures performed, the financial statements had the following errors that required adjustment or reclassification:

For the year ended December 31, 2018:

- General Fund other disbursements of \$59,153 and supplies disbursements of \$571 were incorrectly reported as advances out of \$59,724;
- General Fund loan from county receipts of \$99,408 were incorrectly reported as intergovernmental receipts;
- General Fund charges for services receipts of \$76,800 were incorrectly reported as fines, licenses and permits receipts;
- Special Revenue loan from county receipts of \$59,724 were incorrectly reported as advances in;
- Special Revenue intergovernmental receipts of \$87,738 were incorrectly reported as fines, licenses and permits;
- Special Revenue charges for services receipts of \$121,608 were incorrectly reported as miscellaneous receipts;
- Special Revenue proceeds from debt receipts and principal retirement were understated by \$299,794;
- Special Revenue intergovernmental receipts and contract services were understated by \$50,326.

For the year ended December 31, 2017:

- General Fund miscellaneous receipts were understated by \$60,917, intergovernmental receipts were understated by \$7,887 and charges for services receipts were overstated by \$68,804;
- General Fund intergovernmental receipts of \$401,942 were incorrectly reported as property taxes receipts;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The District incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$97,791;
- Special Revenue restricted fund balance of \$25,241 was incorrectly reported as unassigned;
- Special Revenue charges for services receipts were understated by \$31,369, miscellaneous receipts were understated by \$30,298, advances in were understated by \$2, licenses, permits and fees receipts were overstated by \$39,966, and intergovernmental receipts were overstated by \$21,703.

The audited financial statements have been adjusted for the errors noted above.

GALLIA COUNTY GENERAL HEALTH DISTRICT
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-004 (Continued)

Material Weakness (Continued)

The Fiscal Officer should review the compilation reports completed by the Independent Public Accountants before filing the annual financial report in the Hinkle System to ensure receipts and disbursements are posted to the correct line items and to ensure the financial statements are complete and accurate.

Officials' Response: The Fiscal Officer will work to review reports by independent accountants for accuracy.

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OHIO AUDITOR OF STATE KEITH FABER



GALLIA COUNTY GENERAL HEALTH DISTRICT

GALLIA 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
FEBRUARY 18, 2020**