

***MORGAN COUNTY DISTRICT BOARD OF  
HEALTH***

***MORGAN COUNTY***

**REGULAR AUDIT**

**For the Years Ended December 31, 2019 and 2018**





OHIO AUDITOR OF STATE  
KEITH FABER



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Members of the Board  
Morgan County District Board of Health  
4275 North State Route 376  
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan County District Board of Health prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morgan County District Board of Health is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

September 21, 2020

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MORGAN COUNTY DISTRICT BOARD OF HEALTH  
MORGAN COUNTY

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**INDEPENDENT AUDITOR'S REPORT**

Morgan County District Board of Health  
Morgan County  
4275 North State Route 376 NW  
McConnelsville, Ohio 43756

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 Morgan County District Board of Health, Morgan County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018.

***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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 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, 2019 and 2018, 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 Morgan County District Board of Health, Morgan County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 10 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinions regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 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.



***Charles E. Harris & Associates, Inc.***

July 27, 2020



**MORGAN COUNTY DISTRICT BOARD OF HEALTH  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Charges for Services	\$ 42,385	\$ 14,255	\$ 56,640
Fines, Licenses and Permits	38,153	47,373	85,526
Intergovernmental:			
Apportionments	140,000	-	140,000
Grants	25,482	56,893	82,375
Other	1,327	-	1,327
Miscellaneous	14,679	-	14,679
<b>Total Cash Receipts</b>	<u>262,026</u>	<u>118,521</u>	<u>380,547</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	137,330	90,217	227,547
Supplies	1,647	37	1,684
Contracts - Repair	656	-	656
Contracts - Services	3,379	15,660	19,039
Travel	2,571	1,658	4,229
Advertising and Printing	256	-	256
Remittance to State	15,879	4,748	20,627
Medicare	1,973	1,271	3,244
OPERS	17,204	12,823	30,027
Worker's Compensation	1,290	745	2,035
Medical Insurance	32,299	-	32,299
Other Expenses	34,198	7,480	41,678
<b>Total Cash Disbursements</b>	<u>248,682</u>	<u>134,639</u>	<u>383,321</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	13,344	(16,118)	(2,774)
<b>Fund Cash Balances, January 1</b>	<u>44,564</u>	<u>49,088</u>	<u>93,652</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	46,887	46,887
Assigned	57,908	-	57,908
Unassigned (Deficit)	-	(13,917)	(13,917)
<b>Fund Cash Balances, December 31</b>	<u>\$ 57,908</u>	<u>\$ 32,970</u>	<u>\$ 90,878</u>

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

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2019*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Morgan County District Board of Health, Morgan County, Ohio (the District), as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. These members are appointed by the Health District Advisory Council which is made up of the chairman of each Township with Morgan County, the mayor of each Village within Morgan County, and the chairman of the Morgan County Commissioners. The District's services include vital statistics, communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

***Public Entity Risk Pool***

The District participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 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 which is 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:

***Public Health Emergency Preparedness Fund*** The public health emergency preparedness fund account for and reports receipts of Federal grant monies used to assure the District is prepared for any public health emergencies, both natural and man-made.

***Food Fund*** The food fund accounts for and reports receipts of fees for inspection of restaurants and other businesses operating in the county. The fund is used for salaries and other operating expenses for inspection.

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2019*

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**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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

***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.

***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.

***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.

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2019*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

**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 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 219,220	\$ 262,026	\$ 42,806
Special Revenue	121,935	118,521	(3,414)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 311,182	\$ 248,682	\$ 62,500
Special Revenue	167,272	134,639	32,633

Contrary to Ohio Revised Code Section 3709.28 and 5705.39, appropriations for the general and certain special revenue funds exceeded estimated resources.

**Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Morgan 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 5 – Intergovernmental Funding**

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

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2019*

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**Note 6 – Risk Management**

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>( 11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All District 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%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

**Note 8 - 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019.

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2019*

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**Note 9 – Contingent Liabilities**

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter 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, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 10 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**MORGAN COUNTY DISTRICT BOARD OF HEALTH  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Charges for Services	\$ 37,474	\$ 19,955	\$ 57,429
Fines, Licenses and Permits	35,084	49,727	84,811
Intergovernmental:			
Apportionments	140,000	-	140,000
Grants	63,444	-	63,444
Other	-	72,918	72,918
Miscellaneous	4,402	750	5,152
<b>Total Cash Receipts</b>	<u>280,404</u>	<u>143,350</u>	<u>423,754</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	147,121	75,696	222,817
Supplies	1,995	105	2,100
Contracts - Services	27,935	19,736	47,671
Travel	1,990	830	2,820
Advertising and Printing	454	-	454
Remittance to State	13,169	5,336	18,505
Medicare	2,070	1,066	3,136
OPERS	20,065	10,365	30,430
Worker's Compensation	1,230	716	1,946
Medical Insurance	51,778	-	51,778
Other Expenses	35,941	8,908	44,849
Capital Outlay	-	3,600	3,600
<b>Total Cash Disbursements</b>	<u>303,748</u>	<u>126,358</u>	<u>430,106</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(23,344)	16,992	(6,352)
<b>Fund Cash Balances, January 1</b>	<u>67,908</u>	<u>32,096</u>	<u>100,004</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	62,197	62,197
Assigned	44,564	-	44,564
Unassigned (Deficit)	-	(13,109)	(13,109)
<b>Fund Cash Balances, December 31</b>	<u>\$ 44,564</u>	<u>\$ 49,088</u>	<u>\$ 93,652</u>

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

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Morgan County District Board of Health, Morgan County, Ohio (the District), as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. These members are appointed by the Health District Advisory Council which is made up of the chairman of each Township with Morgan County, the mayor of each Village within Morgan County, and the chairman of the Morgan County Commissioners. The District's services include vital statistics, communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

***Public Entity Risk Pool***

The District participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 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 which is 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:

***Public Health Emergency Preparedness Fund*** The public health emergency preparedness fund account for and reports receipts of Federal grant monies used to assure the District is prepared for any public health emergencies, both natural and man-made.

***Food Fund*** The food fund accounts for and reports receipts of fees for inspection of restaurants and other businesses operating in the county. The fund is used for salaries and other operating expenses for inspection.



**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2018*

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**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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***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.

***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.

***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.

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

**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 - Budgetary Activity**

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 243,250	\$ 280,404	\$ 37,154
Special Revenue	130,935	143,350	12,415

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 316,204	\$ 303,748	\$ 12,456
Special Revenue	169,712	126,358	43,354

Contrary to Ohio Revised Code Section 3709.28 and 5705.39, appropriations for the general and certain special revenue funds exceeded estimated resources.

**Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Morgan 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 5 – Intergovernmental Funding**

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

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2018*

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**Note 6 – Risk Management**

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	(10,734,623)
Members' Equity	\$ 4,330,789

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

**Note 8 - 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018.

**Morgan County District Board of Health**  
*Morgan County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2018*

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**Note 9 – Contingent Liabilities**

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter 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, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

Morgan County District Board of Health  
Morgan County  
4275 North State Route 376 NW  
McConnelsville, Ohio 43756

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 Morgan County District Board of Health, Morgan County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 27, 2020, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

**Internal Control Over Financial Reporting**

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

*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 Audit Findings that we consider a material weakness. We consider finding 2019-001 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Audit Findings as item 2019-002.

We also noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 27, 2020.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit 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 communication is not suitable for any other purpose.



**Charles E. Harris & Associates, Inc.**  
July 27, 2020

**MORGAN COUNTY DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be posted properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54.

During 2019 and 2018, receipts, disbursements and fund balances were not always posted correctly. The following posting errors were noted:

- Charges for Services and Intergovernmental-Grants and Intergovernmental-Other receipts were recorded as Miscellaneous receipts in the General Fund in 2019 and 2018;
- Charges for Services and Fines, Licenses, Permits receipts were recorded as Miscellaneous receipts in the Special Revenue Fund in 2019 and 2018;
- Capital Outlay, Contracted Services, and Remittance to State expenditures were reported as Other expenditures in the General and Special Revenue Fund in 2019 and 2018;
- Beginning fund balances and expenditures for the Help Me Grow and Family and Children's First Council was included in the Special Revenue Fund;
- Fund balance in the General Fund was recorded as unassigned fund balance and it should have been assigned fund balance in 2019 and 2018 as the unexpended fund balances was appropriated in upcoming year;
- Fund balance in the Public Health Emergency Preparedness Grant Fund was recorded as restricted fund balance and it should have been unassigned fund balance in 2019 and 2018 as the Public Health Emergency Preparedness Grant Fund has a negative ending fund balance.

Not posting receipts, disbursements and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements and notes. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

We also recommend the District's management refer to Ohio Administrative Code and other Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to GASB Statement No. 54 and Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

**Managements' Response** – See Corrective Action Plan.

**MORGAN COUNTY DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-002**

**Ohio Revised Code Noncompliance**

**Ohio Rev. Code Section 3709.28 and 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2019, total appropriations exceeded total estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 263,784	\$ 311,182	\$ (47,398)
Special Revenue Funds:			
Public Health Emergency Preparedness Fund	44,892	58,000	(13,108)
Ebola Fund	11,155	11,183	(28)

At December 31, 2018, total appropriations exceeded total estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 311,158	\$ 316,204	\$ (5,046)
Special Revenue Funds:			
Public Health Emergency Preparedness Fund	46,720	68,000	(21,280)
Ebola Fund	13,132	13,822	(690)

The Administrative Secretary and Board should review appropriations and estimated resources regularly and amend appropriations as needed.

**Managements’ Response** – See Corrective Action Plan.



**MORGAN COUNTY DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2019-001	Administrator will follow the guidance obtained during the current audit process to complete upcoming annual financial statements filed on the Hinkle System or hire an outside firm to prepare them.	Immediately	Carrie Lang, Administrator
2019-002	The Administrator will review all estimated resources and appropriations before filing them with the County Auditor to ensure appropriations do not exceed estimated resources.	Immediately	Carrie Lang, Administrator

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# OHIO AUDITOR OF STATE KEITH FABER



**MORGAN COUNTY DISTRICT BOARD OF HEALTH**

**MORGAN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 10/1/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)