

Highland County General Health District  
Highland County  
Regular Audit  
For the Years Ended December 31, 2014 and 2013



*Millhuff-Stang*

**CERTIFIED PUBLIC ACCOUNTANT**

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# Dave Yost • Auditor of State

Board Members  
Highland General Health District  
1487 N. High St.  
Hillsboro, OH 45133

We have reviewed the *Independent Auditor's Report* of the Highland General Health District, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 Highland General Health District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 20, 2015

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**Highland County General Health District**  
**Highland County**  
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**Independent Auditor's Report**

Members of the Board  
Highland County General Health District  
1487 North High Street  
Hillsboro, Ohio 45133

**Report on the Financial Statements**

We have audited the accompanying financial statements and related notes of the Highland County General Health District, Highland County (the District), as of and for the years ended December 31, 2014 and 2013.

***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 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 have obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Highland County General Health District, Highland County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015 on our consideration of the District's internal control over financial reporting and on 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

August 25, 2015

**Highland County General Health District**  
*Combined Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Cash Balances*  
All Governmental Fund Types  
For the Year Ended December 31, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts</i>				
<i>Intergovernmental:</i>				
State Subsidy	\$107,319	\$0	\$0	\$107,319
PHEP Grant	72,713	0	0	72,713
MAC Project	45,617	0	0	45,617
MRC Grant	3,500	0	0	3,500
Property Taxes	492,066	0	0	492,066
Inspection Fees	21,364	0	0	21,364
Permits	33,784	5,482	0	39,266
Fees	175,907	1,490	0	177,397
Licenses	372	51,686	0	52,058
Other	11,505	121	0	11,626
<i>Total Cash Receipts</i>	964,147	58,779	0	1,022,926
<i>Cash Disbursements</i>				
<i>Current:</i>				
<i>Health:</i>				
Salaries	549,246	32,690	0	581,936
Board Member Salaries	4,400	0	0	4,400
Payroll Taxes	6,341	0	0	6,341
Supplies	57,775	53	0	57,828
Remittance - State	35,228	6,226	0	41,454
Permit Fee - State Share	0	1,819	0	1,819
Equipment	6,155	0	0	6,155
Water Test Fee - State Share	0	1,736	0	1,736
Contracts - Repairs	7,626	0	0	7,626
Contracts - Services	20,214	0	0	20,214
Travel	12,685	1,430	0	14,115
Insurance	89,237	0	0	89,237
Rent	36,358	0	0	36,358
Advertising & Printing	1,163	0	0	1,163
PERS	107,249	4,577	0	111,826
Workers Compensation & DWR	7,059	499	0	7,558
Tax Collection Fees	33,574	0	0	33,574
Other Expenses	12,106	709	0	12,815
Project Fund Expense	0	4,062	0	4,062
<i>Total Cash Disbursements</i>	986,416	53,801	0	1,040,217
<i>Excess of Receipts Over (Under) Disbursements</i>	(22,269)	4,978	0	(17,291)
<i>Other Financing Receipts (Disbursements)</i>				
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(5,000)	0	5,000	0
<i>Net Change in Fund Cash Balances</i>	(27,269)	4,978	5,000	(17,291)
<i>Fund Cash Balances, January 1</i>	399,468	24,609	36,620	460,697
Restricted	0	29,587	41,620	71,207
Assigned	1,991	0	0	1,991
Unassigned	370,208	0	0	370,208
<i>Fund Cash Balances, December 31</i>	\$372,199	\$29,587	\$41,620	\$443,406

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

**Highland County General Health District**  
*Combined Statement of Cash Receipts, Cash Disbursements, and  
 Changes in Fund Cash Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2013*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts</i>				
<i>Intergovernmental:</i>				
State Subsidy	\$106,274	\$0	\$0	\$106,274
PHEP Grant	70,893	0	0	70,893
MAC Project	46,777	0	0	46,777
Property Taxes	484,197	0	0	484,197
Inspection Fees	16,365	0	0	16,365
Permits	31,494	4,417	0	35,911
Fees	150,094	1,283	0	151,377
Licenses	638	48,600	0	49,238
Other	12,671	200	0	12,871
<i>Total Cash Receipts</i>	919,403	54,500	0	973,903
<i>Cash Disbursements</i>				
<i>Current:</i>				
<i>Health:</i>				
Salaries	544,438	38,188	0	582,626
Board Member Salaries	3,760	0	0	3,760
Payroll Taxes	6,232	0	0	6,232
Supplies	54,723	51	0	54,774
Remittance - State	35,354	6,586	0	41,940
Permit Fee - State Share	0	1,012	0	1,012
Equipment	4,638	0	0	4,638
Water Test Fee - State Share	0	1,405	0	1,405
Contracts - Repairs	14,372	0	0	14,372
Contracts - Services	24,012	0	0	24,012
Travel	12,793	1,433	0	14,226
Insurance	47,879	0	0	47,879
Rent	36,358	0	0	36,358
Advertising & Printing	473	0	0	473
PERS	106,987	5,346	0	112,333
Workers Compensation & DWR	7,566	288	0	7,854
Tax Collection Fees	16,341	0	0	16,341
Audit Expenses	5,653	0	0	5,653
Other Expenses	15,116	1,120	0	16,236
Project Fund Expense	0	3,288	0	3,288
<i>Total Cash Disbursements</i>	936,695	58,717	0	995,412
<i>Excess of Receipts Under Disbursements</i>	(17,292)	(4,217)	0	(21,509)
<i>Other Financing Receipts (Disbursements)</i>				
Transfers In	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(10,000)	0	10,000	0
<i>Net Change in Fund Cash Balances</i>	(27,292)	(4,217)	10,000	(21,509)
<i>Fund Cash Balances, January 1</i>	426,760	28,826	26,620	482,206
Restricted	0	24,609	36,620	61,229
Assigned	9,588	0	0	9,588
Unassigned	389,880	0	0	389,880
<i>Fund Cash Balances, December 31</i>	\$399,468	\$24,609	\$36,620	\$460,697

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

**Highland County General Health District**  
**Highland County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Highland County General Health District, Highland County (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The Board is appointed by the Highland County Health District Advisory Council which consists of representatives of Highland County Villages, Cities, Townships, and the Highland County Commissioners. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issuance of health-related licenses and permits.

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

**Accounting Basis**

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

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

**Deposits and Investments**

As required by the Ohio Revised Code, the Highland 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.

**Fund Accounting**

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

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

*Restaurant Fund* – This fund receives receipts for licenses for food establishments and food service operations.

Capital Projects Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Highland County General Health District**  
**Highland County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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 Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated in the subsequent year.

A summary of the 2014 and 2013 budgetary activity appears in Note 2.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

*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.

**Highland County General Health District**  
**Highland County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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.

**Property, Plant, and Equipment**

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

**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.

**Note 2 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$837,859	\$964,147	\$126,288
Special Revenue	53,536	58,779	5,243
Capital Projects	5,000	5,000	0
Total	<u>\$896,395</u>	<u>\$1,027,926</u>	<u>\$131,531</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,222,120	\$991,416	\$230,704
Special Revenue	76,935	53,801	23,134
Capital Projects	41,619	0	41,619
Total	<u>\$1,340,674</u>	<u>\$1,045,217</u>	<u>\$295,457</u>

**Highland County General Health District**  
**Highland County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*

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**Note 2 – Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2013 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$819,463	\$919,403	\$99,940
Special Revenue	51,469	54,500	3,031
Capital Projects	10,000	10,000	0
<b>Total</b>	<b>\$880,932</b>	<b>\$983,903</b>	<b>\$102,971</b>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,265,085	\$946,695	\$318,390
Special Revenue	79,334	58,717	20,617
Capital Projects	36,619	0	36,619
<b>Total</b>	<b>\$1,381,038</b>	<b>\$1,005,412</b>	<b>\$375,626</b>

**Note 3 – Intergovernmental and Property Tax Receipts**

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.

The 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 \$372,324 in 2014 and \$365,854 in 2013. The financial statements present these amounts as property tax receipts.

**Note 4 – 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. For 2014 and 2013, OPERS members contributed and 10%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**Note 5 – Risk Management**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Members of the Board  
Highland County General Health District  
1487 North High Street  
Hillsboro, Ohio 45133

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Highland County General Health District, Highland County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2015, wherein we noted the District followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

August 25, 2015

**Highland County General Health District**  
**Highland County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2014 and 2013*

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**Finding Number 2014-001**

**Material Weakness - Financial Reporting**

A sound internal control environment is pertinent to ensure that financial records and reports are fairly presented. Failure to properly design internal controls could result in misstatements within the financial records that go undetected or are not timely detected and corrected prior to presentation to management, those charged with governance, or external parties.

During testing, we identified various errors within the annual financial reports presented for audit. Such errors include reporting property tax receipt net of tax collection fees and various misclassifications.

The District should implement the appropriate procedures, such as periodic reviews of financial transaction postings or secondary reviews of monthly/quarterly/annual financial reports, to ensure that financial statements do not contain misclassifications or misstatements.

*Client Response:*

Previous Fiscal Officer posted the amounts that were listed by the County Auditor. We will work to create a process in 2015 to post gross revenue and post expenditure for fees to equal the net amount.



# Dave Yost • Auditor of State

**HIGHLAND GENERAL HEALTH DISTRICT**

**HIGHLAND 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  
DECEMBER 3, 2015**