



**MORROW COUNTY DISTRICT BOARD OF HEALTH
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015



Dave Yost • Auditor of State

**MORROW COUNTY DISTRICT BOARD OF HEALTH
MORROW COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2016.....	3
Notes to the Financial Statements December 31, 2016	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2015.....	10
Notes to the Financial Statements December 31, 2015	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Corrective Action Plan.....	2€

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morrow County District Board of Health
Morrow County
619 W. Marion Road
Mt. Gilead, Ohio 43338

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 Morrow County District Board of Health, Morrow County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015.

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 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, 2016 and 2015, 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 cash balances, receipts, and disbursements by fund type, and related notes of the Morrow County District Board of Health, Morrow County, Ohio, as of December 31, 2016 and 2015, 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 November 21, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2017

**MORROW COUNTY DISTRICT BOARD OF HEALTH
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Property Taxes	\$ 357,994	\$ -	\$ 357,994
Federal Awards	11,317	284,804	296,121
Intergovernmental	258,116	135,664	393,780
Permits	99,554	11,878	111,432
Other Fees	99,141	-	99,141
Licenses	-	53,785	53,785
Fines	144	388	532
Contractual Services	170,494	3,019	173,513
Miscellaneous	15	2,985	3,000
	<u>996,775</u>	<u>492,523</u>	<u>1,489,298</u>
Cash Disbursements			
Current:			
Health:			
Salaries	633,368	133,193	766,561
Fringe Benefits	225,592	72,032	297,624
Supplies	119,889	31,485	151,374
Remittance to State	21,515	15,085	36,600
Equipment	34,486	20,744	55,230
Contracts - Repair	-	217,643	217,643
Contracts - Services	56,790	13,494	70,284
Travel	15,259	7,111	22,370
Printing & Advertising	3,424	2,229	5,653
Other	69,360	8,274	77,634
	<u>1,179,683</u>	<u>521,290</u>	<u>1,700,973</u>
Deficiency of Receipts under Disbursements	(182,908)	(28,767)	(211,675)
Other Financing Receipts (Disbursements)			
Reimbursements	823	-	823
Advances in	-	20,000	20,000
Advances out	(20,000)	-	(20,000)
	<u>(19,177)</u>	<u>20,000</u>	<u>823</u>
Net Change in Cash Fund Balances	(202,085)	(8,767)	(210,852)
Fund Cash Balances, January 1	596,520	450,508	1,047,028
Fund Cash Balances, December 31			
Restricted	-	441,741	441,741
Assigned	260,688	-	260,688
Unassigned	133,747	-	133,747
	<u>\$ 394,435</u>	<u>\$ 441,741</u>	<u>\$ 836,176</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Morrow County District Board of Health, Morrow 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, tuberculosis screenings, home visits, public health nursing services and issues, health-related licenses and permits, emergency preparedness activities as well as birth certificates and death certificates.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Food Service Fund - This fund receives revenue from food service operations in the form of licenses and fines to maintain food service establishments. These monies are used by the District to cover staff expenses and supplies.

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Public Health Infrastructure Grant Fund - This federal grant, which is disbursed through the Ohio Department of Health, is used to develop effective plans and resources at local and regional levels to address bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

Solid Waste Fund - Revenue for this fund comes from the DKMM (Delaware, Knox, Marion & Morrow) Solid Waste District for facility monitoring & enforcement of solid waste regulations including nuisance complaint follow-up and oversight of property clean-ups as order by the townships and villages.

Rural Hardship Fund - Revenue for this fund comes from the OEPA (Ohio Environmental Protection Agency) to provide grants to eligible property owners for the repair/replacement of septic systems which do not meet the District's regulations.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. 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 2016 budgetary activity appears in Note 2.

MORROW COUNTY DISTRICT BOARD OF HEALTH

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

MORROW COUNTY DISTRICT BOARD OF HEALTH

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

I. Interfund Transactions

During the course of normal operations, the District had a transaction between funds. This included a transfer of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Advances are temporary loans to other funds which will ultimately be repaid.

NOTE 2 - BUDGETARY ACTIVITY

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$932,909	\$997,598	\$64,689
Special Revenue	530,627	512,523	(18,104)
Total	\$1,463,536	\$1,510,121	\$46,585

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,259,496	\$1,236,000	\$23,496
Special Revenue	653,128	521,290	131,838
Total	\$1,912,624	\$1,757,290	\$155,334

NOTE 3 – PROPERTY TAX/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.

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 \$357,994 in 2016. The financial statement presents these amounts as property tax receipts.

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 2016, 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, 2016.

NOTE 5 - 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 Risk Pooling Services, 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 the fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

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

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately \$2,133.

MORROW COUNTY DISTRICT BOARD OF HEALTH

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5 - RISK MANAGEMENT - (Continued)

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

	<u>Contributions to PEP</u>
	<u>2016</u>
\$	3,385

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 (via certified mail) 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.

NOTE 6 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 7 - INTERFUND ACTIVITY

The District had the following advances for the year ended December 31, 2016:

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$ -	\$ 20,000
 <u>Special Revenue Fund</u>		
Reproductive Health Grant	<u>20,000</u>	<u>-</u>
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The advance from the General fund to the Reproductive Health Grant fund was to provide starting capital for the program.

**MORROW COUNTY DISTRICT BOARD OF HEALTH
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Property Taxes	\$ 355,729	\$ -	\$ 355,729
Federal Awards	11,951	77,156	89,107
Intergovernmental	223,943	37,656	261,599
Permits	75,570	12,711	88,281
Other Fees	93,118	3,967	97,085
Licenses	-	58,184	58,184
Fines	853	1,316	2,169
Contractual Services	109,350	1,500	110,850
Miscellaneous	5,563	375	5,938
	<u>876,077</u>	<u>192,865</u>	<u>1,068,942</u>
Cash Disbursements			
Current:			
Health:			
Salaries	487,272	92,721	579,993
Fringe Benefits	176,926	14,992	191,918
Supplies	78,149	5,608	83,757
Remittance to State	20,385	17,725	38,110
Equipment	11,028	1,535	12,563
Contracts - Repair	5,234	1,400	6,634
Contracts - Services	11,313	1,500	12,813
Travel	14,446	4,715	19,161
Printing & Advertising	5,509	3,240	8,749
Other	84,124	13,541	97,665
	<u>894,386</u>	<u>156,977</u>	<u>1,051,363</u>
Excess (deficiency) of Receipts over (under) Disbursements	<u>(18,309)</u>	<u>35,888</u>	<u>17,579</u>
Other Financing Receipts			
Rebates	2,882	652	3,534
Reimbursements	4,430	-	4,430
	<u>7,312</u>	<u>652</u>	<u>7,964</u>
Net Change in Cash Fund Balances	(10,997)	36,540	25,543
Fund Cash Balances, January 1	607,517	413,968	1,021,485
	<u>607,517</u>	<u>413,968</u>	<u>1,021,485</u>
Fund Cash Balances, December 31			
Restricted	-	450,508	450,508
Assigned	291,888	-	291,888
Unassigned	304,632	-	304,632
	<u>304,632</u>	<u>-</u>	<u>304,632</u>
Fund Cash Balances, December 31	<u>\$ 596,520</u>	<u>\$ 450,508</u>	<u>\$ 1,047,028</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Morrow County District Board of Health, Morrow 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, tuberculosis screenings, home visits, public health nursing services and issues, health-related licenses and permits, emergency preparedness activities as well as birth certificates and death certificates.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Food Service Fund - This fund receives revenue from food service operations in the form of licenses and fines to maintain food service establishments. These monies are used by the District to cover staff expenses and supplies.

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Public Health Infrastructure Grant Fund - This federal grant, which is disbursed through the Ohio Department of Health, is used to develop effective plans and resources at local and regional levels to address bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

Solid Waste Fund - Revenue for this fund comes from contributions to the fund by member agencies/governments, including the County Commissioners, Health Department, townships, and villages for past property clean-ups as ordered by the townships and villages.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. 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 2015 budgetary activity appears in Note 2.

F. Fund Balance

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

1. Nonspendable

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

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

MORROW COUNTY DISTRICT BOARD OF HEALTH

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$879,413	\$883,389	\$3,976
Special Revenue	211,432	193,517	(17,915)
Total	\$1,090,845	\$1,076,906	(\$13,939)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$995,437	\$927,544	\$67,893
Special Revenue	249,799	156,977	92,822
Total	\$1,245,236	\$1,084,521	\$160,715

NOTE 3 – PROPERTY TAX/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.

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 \$355,729 in 2015. The financial statement presents 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 2015, 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, 2015.

NOTE 5 - 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.

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - RISK MANAGEMENT – (Continued)

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 Risk Pooling Services, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP) which is also administered by ARPCO. Member governments pay annual contributions to the 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

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, 2015.

	<u>2015</u>
Assets	\$ 38,307,677
Liabilities	(12,759,127)
Net Position	25,548,550

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District's share of these unpaid claims collectible in future years is approximately \$2,133.

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 financial contributions required to be made to PEP for year of membership.

	<u>Contributions to PEP</u>	
	<u>2015</u>	
	\$	3,385

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 (via certified mail) 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.

MORROW COUNTY DISTRICT BOARD OF HEALTH

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 6 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Morrow County District Board of Health
Morrow County
619 W. Marion Road
Mt. Gilead, Ohio 43338

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 Morrow County District Board of Health, Morrow County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 21, 2017, 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.

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 findings that we consider a material weakness. We consider finding 2016-001 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 no instances of noncompliance or other matters we must report 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 corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 21, 2017

**MORROW COUNTY DISTRICT BOARD OF HEALTH
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the District's management and Board and is essential to ensure the information provided to the readers of the financial statements is complete, accurate, and in accordance with GAAP/GASB standards. A monitoring system by management should be in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements.

The following adjustments / reclassifications were qualitatively and/or quantitatively material to the District's December 31, 2015 financial statements and were made to the financial statements:

- Projected reclassification of \$16,443 in the Special Revenue Fund for Miscellaneous receipts posted as Intergovernmental in error.
- An adjustment of \$258,730 to reclass fund balance in the General Fund from Unassigned to Assigned for the portion of existing fund balance included as a budgetary resource.

The following adjustments / reclassifications were qualitatively and/or quantitatively material to the District's December 31, 2016 financial statements and were made to the financial statements:

- Adjustment of \$20,000 to reduce Intergovernmental Receipts in the Special Revenue fund for an Advance-In that was reported as both Intergovernmental Receipts and as an Advance-In.
- An adjustment of \$224,371 to reclass fund balance in the General Fund from Unassigned to Assigned for the portion of existing fund balance included as a budgetary resource.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$48 to \$38,493 that we have brought to the District's attention.

We recommend the District implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the District's annual report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions. Furthermore, the adjustments to the financial statements listed above should be reviewed by management and the Board to ensure that similar errors are not reported in the financial statements subsequent years.

Officials' Response

See Corrective Action Plan



MORROW COUNTY HEALTHDISTRICT
 Pamela Butler, MPH, Health Commissioner
 619 W. Marion Rd., Suite B, Rm. 143, Mt. Gilead, OH 43338
 Phone: (419) 947-1545
 Fax: (419) 946-6807
 Email: mchdpip@morrowcountyhealth.org
 Online: www.morrowcountyhealth.org

**CORRECTIVE ACTION PLAN
 DECEMBER 31, 2016 AND 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	<p>The Morrow County Health District (MCHD) will move the identified monies to the appropriate and correct funds. These funds were put into the same fund accounts and audited as they have been in the past. However, during this audit, it was expressed that they needed to be moved.</p> <p>The County of Morrow purchased new software that is being implemented and will be used by MCHD. It is more efficient and effective in tracking monies from one fund to another including having new account codes that will allow for better tracking purposes, accountability and transparency.</p> <p>MCHD will continually monitor our fund accounts and account codes to meet the needs as required.</p>	01/31/2018 (will not be able to complete until after the new year with new accounting software totally up and running)	Jill Thompson (Fiscal Specialist) and/or Pamela Butler (Health Commissioner)



Dave Yost • Auditor of State

WESTFIELD TOWNSHIP

MEDINA 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 26, 2017**