



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpagroup.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board
Mercer County General Health District
220 W. Livingston Room B152
Celina, Ohio 45822

We have reviewed the *Independent Auditor's Report* of the Mercer County General Health District, Mercer County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 Mercer County General Health District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

September 13, 2019

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MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY
For the Fiscal Years Ended December 31, 2018 and 2017
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INDEPENDENT AUDITOR'S REPORT

Mercer County General Health District
Mercer County
220 West Livingston Street, Room B152
Celina, Ohio 45822

To the Board:

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 opinion.

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, 2018 and 2017, and the respective changes in financial position or cash flows 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 Mercer County General Health District, Mercer County as of December 31, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
July 19, 2019

**MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Charges for Services	\$ 1,342,088	\$ 66,451	\$ 1,408,539
Fines, Licenses and Permits	261	140,574	140,835
Intergovernmental	354,950	114,362	469,312
Rewards, Vaccine Rebates & Reimbursements	25,416	-	25,416
Miscellaneous	26,864	932	27,796
Total Cash Receipts	<u>1,749,579</u>	<u>322,319</u>	<u>2,071,898</u>
Cash Disbursements:			
Current:			
Health:			
Salaries	458,819	196,288	655,107
Fringe Benefits	243,477	84,954	328,431
Purchased/Contracted Services	53,296	10,608	63,904
Supplies/Materials	884,698	1,195	885,893
Other	26,256	-	26,256
Remittance to State	39,075	29,976	69,051
Dept of Ag Share	-	2,030	2,030
Township Share	-	1,042	1,042
Total Cash Disbursements	<u>1,705,621</u>	<u>326,093</u>	<u>2,031,714</u>
Excess of Receipts Over/(Under) Disbursements	<u>43,958</u>	<u>(3,774)</u>	<u>40,184</u>
Other Financing Receipts (Disbursements):			
Advance In	9,386	9,386	18,772
Advance Out	(9,386)	(9,386)	(18,772)
Transfer In	-	62,614	62,614
Transfers Out	(62,614)	-	(62,614)
Total Other Financing Receipts(Disbursements)	<u>(62,614)</u>	<u>62,614</u>	<u>-</u>
Net Change in Fund Cash Balances	<u>(18,656)</u>	<u>58,840</u>	<u>40,184</u>
Fund Cash Balances, January 1	<u>469,548</u>	<u>247,206</u>	<u>716,754</u>
Fund Cash Balances, December 31			
Restricted	-	306,046	306,046
Assigned	1,063	-	1,063
Unassigned	449,829	-	449,829
Fund Cash Balances, December 31	<u>\$ 450,892</u>	<u>\$ 306,046</u>	<u>\$ 756,938</u>

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

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

Note 1 - Reporting Entity

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

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

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. (formerly known as American Risk Pooling Consultants, Inc.), 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 fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Food Service Fund The food service fund accounts for the sale of food service licenses.

Parks and Camps Fund The parks and camps fund accounts for the sale of campground and trailer park licenses.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Swimming Pool Fund The swimming pool fund accounts for the sale of public pool and spa licenses.

Construction and Demo Debris (C&DD) Fund The C&DD fund accounts for tipping fees and licenses.

Water System Fund The water system fund receives money for permits and fees of well and water testing.

Solid Waste Fund The solid waste fund receives money for sewage permit fees in within Mercer County.

Environmental Miscellaneous Fund This fund receives money for licenses and tipping fees from solid waste facilities in Mercer County. This has been combined into the General Fund.

Public Health Emergency Preparedness (PHEP) Grant Fund This fund receives Federal grant money to provide for the development of public health infrastructure.

NACCHO Grant Fund This fund receives Federal grant money to provide for the development of the Medical Reserve Corps (MRC).

Strategic Teen Immunization Rate Grant (STIR) Fund This fund receives grant money on a subgrantee basis from Allen County Health District for the purpose of increasing immunization rates for children ages 13-15.

Immunization Action Plan Grant (IAP) Fund This fund receives Federal grant money on a subgrantee basis to provide for the purpose of increasing immunization rates for children.

Ebola Grant This fund receive grant money on a subgrantee basis from Toledo-Lucas County Health District for the purpose of creating Ebola/Zika/Communicable Disease response plans.

Community Health Improvement Plan (CHIP) This fund receives Federal grant money to provide for the development of a Community Health Improvement Plan

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 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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (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 of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the 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 4.

Accumulated Leave

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

Fund Balance

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

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

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

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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

Note 3 - Compliance

Mercer County General Health District received a noncompliance citation. It was recommended the District certify purchases to which Section 5705.41(D) and use purchase orders to include the certification language Section 5705.41(D) to authorize disbursements.

Mercer County General Health District also received a Material Weakness - Sound Financial Reporting.

Note 4 - Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,575,095	\$1,758,965	\$183,870
Special Revenue	500,722	394,319	(106,403)
Total	\$2,075,817	\$2,153,284	\$77,467

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

Note 4 - Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,044,731	\$1,777,621	\$267,110
Special Revenue	557,384	335,479	221,905
Total	\$2,602,115	\$2,113,100	\$489,015

Note 5 - Deposits and Investments

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

Note 6 - Intergovernmental Funding and Property Taxes

Intergovernmental Funding

The 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.

Note 7 - Risk Management

Risk Pool Membership

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

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

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

	2018
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,295,015

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Several of the District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries.

The District has paid all contributions required through December 31, 2018.

Social Security

Several of the District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 - 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 11 – Advances

In 2018, the District's General fund advanced their PHEP Grant and IAP Grant a total of \$9,386. These grants repaid the advance to the General fund on December 19, 2018.

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**MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Charges for Services	\$ 1,263,641	\$ 46,494	\$ 1,310,135
Fines, Licenses and Permits	613	184,704	185,317
Intergovernmental	323,428	110,780	434,208
	<u>1,587,682</u>	<u>341,978</u>	<u>1,929,660</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Health:			
Salaries	406,526	197,612	604,138
Fringe Benefits	217,173	80,185	297,358
Purchased/Contracted Services	103,091	19,042	122,133
Supplies/Materials	732,542	2,357	734,899
Other	1,063	608	1,671
Remittance to State	38,633	57,611	96,244
Dept of Ag Share	-	1,600	1,600
Township Share	-	1,063	1,063
	<u>1,499,028</u>	<u>360,078</u>	<u>1,859,106</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	<u>88,654</u>	<u>(18,100)</u>	<u>70,554</u>
Other Financing Receipts (Disbursements):			
Transfer In	-	102,038	102,038
Transfers Out	(102,038)	-	(102,038)
	<u>(102,038)</u>	<u>102,038</u>	<u>-</u>
Total Other Financing Receipts(Disbursements)			
Net Change in Fund Cash Balances	<u>(13,384)</u>	<u>83,938</u>	<u>70,554</u>
Fund Cash Balances, January 1	<u>482,932</u>	<u>163,268</u>	<u>646,200</u>
Fund Cash Balances, December 31			
Restricted	-	247,206	247,206
Assigned	1,063	-	1,063
Unassigned	468,485	-	468,485
	<u>469,548</u>	<u>247,206</u>	<u>716,754</u>
Fund Cash Balances, December 31	<u>\$ 469,548</u>	<u>\$ 247,206</u>	<u>\$ 716,754</u>

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

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

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Swimming Pool Fund The swimming pool fund accounts for the sale of public pool and spa licenses.

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NACCHO Grant Fund This fund receives Federal grant money to provide for the development of the Medical Reserve Corps (MRC).

Strategic Teen Immunization Rate Grant (STIR) Fund This fund receives grant money on a subgrantee basis from Allen County Health District for the purpose of increasing immunization rates for children ages 13-15.

Immunization Action Plan Grant (IPA) Fund This fund receives Federal grant money on a subgrantee basis to provide for the purpose of increasing immunization rates for children.

Ebola Grant This fund receive grant money on a subgrantee basis from Toledo-Lucas County Health District for the purpose of creating Ebola/Zika/Communicable Disease response plans.

Community Health Improvement Plan (CHIP) This fund receives Federal grant money to provide for the development of a Community Health Improvement Plan.

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 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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (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 level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the 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 2017 budgetary activity appears in Note 4.

Accumulated Leave

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

Fund Balance

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

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

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

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (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.

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

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

Note 3 – Compliance

Mercer County General Health District received a noncompliance citation. It was recommended the District certify purchases to which Section 5705.41(D) and use purchase orders to include the certification language Section 5705.41(D) to authorize disbursements.

Mercer County General Health District also received a Material Weakness - Sound Financial Reporting.

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,638,628	\$1,587,682	(\$50,946)
Special Revenue	425,613	444,016	18,403
Total	\$2,064,241	\$2,031,698	(\$32,543)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,911,956	\$1,601,066	\$310,890
Special Revenue	429,431	360,078	69,353
Total	\$2,341,387	\$1,961,144	\$380,243

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

Note 5 – Deposits and Investments

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

Note 6 – Intergovernmental Funding and Property Taxes

Intergovernmental Funding

The 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.

Note 7 – Risk Management

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

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed that members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Note 7 – Risk Management (Continued)

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net positions at December 31, 2017:

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

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government’s share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>2017 Contributions to PEP</u>
\$ 7,656

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Several of the District’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants’ gross salaries.

The District has paid all contributions required through December 31, 2017.

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

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

Several of the District's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

Note 10 – 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.



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

Mercer County Health District
Mercer County
220 West Livingston Street, Room B152
Celina, Ohio 45822

To the Board:

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 Mercer County Health District, Mercer County, (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2019 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 2018-002 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
July 19, 2019

MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking proper certification shall be null and void. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

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

To ensure the District's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the correct line item to post various receipts and expenditures of the District.

We noted several transactions in 2017 and 2018 that were not certified by the District at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

MERCER COUNTY GENERAL HEALTH DISTRICT
MERCER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001 (Continued)

Noncompliance Citation (Continued)

The District should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The County Auditor should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The County Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: Client did not provide a response to this finding.

FINDING NUMBER 2018-002

Material Weakness – Sound Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and the Board and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Misstatements were identified during the course of the audit which have not been prevented or detected by the District's internal controls over financial reporting. Misstatements were identified in the following areas:

- Salaries
- Charges for Services
- Transfer In
- Transfer Out
- Restricted Fund Balance
- Unassigned Fund Balance
- Subdivision Share Revenue
- Advance Out
- Advance In

All of the above noted adjustments have been posted to the District's financial statements and accounting system.

We recommend the District's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the District in reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response: We did not receive a response to this finding.

MERCER COUNTY HEALTH DISTRICT
MERCER COUNTY
DECEMBER 31, 2018 AND 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Noncompliance Citation	No	Reissued as finding 2018-001
2016-002	Material Weakness – Sound Financial Reporting	No	Reissued as finding 2018-002

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OHIO AUDITOR OF STATE KEITH FABER



MERCER COUNTY GENERAL HEALTH DISTRICT

MERCER 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
SEPTEMBER 26, 2019**