



**MORROW COUNTY DISTRICT BOARD OF HEALTH  
MORROW COUNTY  
Regular Audit  
For the Years Ended December 31, 2018 and 2017**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

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KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Morrow County District Board of Health, Morrow County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Morrow County District Board of Health is responsible for compliance with these laws and regulations.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

October 22, 2019

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Morrow County District Board of Health

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## INDEPENDENT AUDITOR'S REPORT

September 15, 2019

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

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 **Morrow County District Board of Health**, Morrow 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 opinions.

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***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, 2018 and 2017, 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 Morrow County District Board of Health, Morrow 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$ 370,151	\$ -	\$ 370,151
Federal Awards	4,000	118,343	122,343
Intergovernmental	36,971	61,188	98,159
Investment Income	4,137	-	4,137
Permits	4,786	95,562	100,348
Other Fees	112,212	30,472	142,684
Licenses	-	61,726	61,726
Fines	-	347	347
Contractual Services	302,923	-	302,923
Miscellaneous	22,533	8,064	30,597
	857,713	375,702	1,233,415
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	470,591	288,889	759,480
Fringe Benefits	200,499	120,959	321,458
Supplies	80,567	8,469	89,036
Remittances to State	19,537	18,413	37,950
Equipment	12,790	1,018	13,808
Contracts - Repair	6,577	-	6,577
Contracts - Services	127,347	22,196	149,543
Travel	22,933	10,615	33,548
Printing & Advertising	526	761	1,287
Other	856	7,387	8,243
	942,223	478,707	1,420,930
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts (Under) Disbursements</i>	(84,510)	(103,005)	(187,515)
<b>Other Financing Receipts (Disbursements)</b>			
Reimbursements	14,326	-	14,326
Advance In	10,000	-	10,000
Advance Out	-	(10,000)	(10,000)
	24,326	(10,000)	14,326
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	(60,184)	(113,005)	(173,189)
<i>Fund Cash Balances, January 1</i>	265,745	331,898	597,643
<b>Fund Cash Balances, December 31</b>			
Restricted	-	218,893	218,893
Assigned	82,804	-	82,804
Unassigned	122,757	-	122,757
	205,561	218,893	424,454
<i>Fund Cash Balances, December 31</i>	\$ 205,561	\$ 218,893	\$ 424,454

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

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**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 2018 budgetary activity appears in Note 2.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 amend 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.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$825,916	\$882,039	\$56,123
Special Revenue	351,711	375,702	23,991
Total	\$1,177,627	\$1,257,741	\$80,114

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,031,262	\$992,954	\$38,308
Special Revenue	567,732	513,313	54,419
Total	\$1,598,994	\$1,506,267	\$92,727

**NOTE 3 - 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 \$370,151 in 2018. The financial statement presents these amounts as intergovernmental receipts.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 4 – RETIREMENT SYSTEMS**

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

**NOTE 5 – 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 6 - 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 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, 2018, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

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

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 6 - RISK MANAGEMENT – (Continued)**

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 to approximately 527 member governments in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years is approximately \$2,089 (the latest information available).

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>2018</u>		<u>2017</u>	
\$	3,561	\$	3,316

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 7 - 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 8 - INTERFUND ACTIVITY**

***Advances***

<u>Fund Type/Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General	\$ 10,000	\$ -
<u>Special Revenue Funds</u>		
Reproductive Health Grant	-	10,000
Total	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Outstanding advances at December 31, 2018 consisted of \$10,000 advanced to the Reproductive Health Grant Fund from the General Fund.

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

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$ 319,031	\$ -	\$ 319,031
Federal Awards	804	174,682	175,486
Intergovernmental	154,151	107,767	261,918
Permits	90,149	30,197	120,346
Other Fees	189,093	16,568	205,661
Licenses	-	56,891	56,891
Fines	409	228	637
Contractual Services	238,326	-	238,326
Miscellaneous	5,584	1,007	6,591
<i>Total Cash Receipts</i>	<u>997,547</u>	<u>387,340</u>	<u>1,384,887</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	617,612	145,314	762,926
Fringe Benefits	270,131	97,832	367,963
Supplies	88,272	18,704	106,976
Remittances to State	61,436	20,238	81,674
Equipment	17,056	2,243	19,299
Contracts - Repair	324	110,340	110,664
Contracts - Services	94,419	30,040	124,459
Travel	20,217	6,040	26,257
Printing & Advertising	5,308	2,002	7,310
Other	9,878	6,278	16,156
<i>Total Cash Disbursements</i>	<u>1,184,653</u>	<u>439,031</u>	<u>1,623,684</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(187,106)</u>	<u>(51,691)</u>	<u>(238,797)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Reimbursements	264	-	264
Transfers In	58,152	-	58,152
Transfers Out	-	(58,152)	(58,152)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>58,416</u>	<u>(58,152)</u>	<u>264</u>
<i>Net Change in Fund Cash Balances</i>	<u>(128,690)</u>	<u>(109,843)</u>	<u>(238,533)</u>
<i>Fund Cash Balances, January 1</i>	<u>394,435</u>	<u>441,741</u>	<u>836,176</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	331,898	331,898
Assigned	96,480	-	96,480
Unassigned	169,265	-	169,265
<i>Fund Cash Balances, December 31</i>	<u>\$ 265,745</u>	<u>\$ 331,898</u>	<u>\$ 597,643</u>

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



**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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**C. Deposits and Investments**

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**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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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 2017 budgetary activity appears in Note 3.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 amend 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.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**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 – COMPLIANCE**

Contrary to Ohio law, appropriation authority exceeded certified estimated resources in the Public Health Nursing fund by \$38,999, the Sewage fund by \$720, and the 1999 Welcome Home Grant fund by \$5,000 for the year ended December 31, 2017.

**NOTE 3 - 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	\$1,131,888	\$1,055,963	(\$75,925)
Special Revenue	509,615	387,340	(122,275)
Total	\$1,641,503	\$1,443,303	(\$198,200)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,231,306	\$1,213,251	\$18,055
Special Revenue	586,786	518,052	68,734
Total	\$1,818,092	\$1,731,303	\$86,789

**NOTE 4 - 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 \$319,031 in 2017. The financial statement presents these amounts as intergovernmental receipts.

2017.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 5 – RETIREMENT SYSTEMS**

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 2017, 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, 2017.

**NOTE 6 – POSTEMPLOYMENT BENEFITS**

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

**NOTE 7 - RISK MANAGEMENT**

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

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

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, 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 (the latest information available).

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

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 7 - RISK MANAGEMENT - (Continued)**

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 to approximately 520 member governments 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 (the latest information available).

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>2017</u>		<u>2016</u>	
\$	3,316	\$	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 8 - 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 9 - INTERFUND ACTIVITY**

***Transfers***

The District had the following transfers for the year ended December 31, 2017:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 58,152	\$ -
<u>Special Revenue Funds</u>		
Rural Hardship Grants	-	1
Public Health Nursing	-	7,039
Marina	-	1,557
Immunization Action Plan	-	300
Early Intervention 3 Project	-	7,161
State Grant	-	378
H1N1 Flu Clinic	-	41,716
Total	<u>\$ 58,152</u>	<u>\$ 58,152</u>

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 9 - INTERFUND ACTIVITY - (Continued)**

The transfers out of the special revenue funds into the general fund were for the closeout of funds.

***Advances***

Outstanding advances at December 31, 2017 consisted of \$20,000 advanced to the Reproductive Health Grant Fund from the General Fund.

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

September 15, 2019

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

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 **Morrow County District Board of Health**, Morrow 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 September 15, 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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***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 audit findings as item 2018-002.

***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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

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

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the District and is essential to ensure information provided to the readers of the financial statements is correct. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2018 and 2017, advances and fund balances were not always classified correctly. The following errors were noted:

- In 2017, an adjustment of \$96,480 to reclass fund balance in the General Fund from Unassigned to Assigned;
- In 2018, the beginning fund balances for the General Fund and Special Revenue Funds did not agree to the 2017 ending fund balances;
- In 2018, an adjustment of \$32,073 to reclass fund balance to in the General Fund from Unassigned to Assigned;
- In 2017 and 2018, the note disclosure regarding outstanding advances was not included in the financial statement presentation; and
- In 2018, a \$10,000 partial repayment of an outstanding advance from 2016 was not properly presented on the financial statement and footnote disclosure.

Not classifying advances and fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments. The District has made all adjustments to its accounting system

In addition to the adjustments listed above we also identified additional misstatements that were immaterial in nature that we brought to the attention of management, but were not made to the financial statements.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all activities are properly identified and classified on the financial statements accompanied by accurate and complete footnotes.

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

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

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-002**

**Noncompliance**

**Ohio Rev. Code § 5705.39** states, in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

+

During 2017, the District's appropriations for the H-Rural Hardship Fund, Sewage Fund, and the 1999 Welcome Home Fund exceeded the estimated resources. The Township did not amend appropriations as a result of this.

Total appropriations exceeding estimated resources could result in negative cash fund balances and overspending of District resources. We recommend that the District monitor their budgetary activity on a monthly basis and make adjustments as required.

The Board should regularly review and amend their appropriations based on updates to their estimated resources. Additionally, the Board should review the certification of the County Budget Commission to ensure that their total appropriations do not exceed estimated resources.

**Official's Response** – We did not receive a response from officials to this finding.

**MORROW COUNTY DISTRICT BOARD OF HEALTH**  
*MORROW COUNTY*  
*SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017*

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting	Not Corrected	Repeated as Finding 2018-001

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# OHIO AUDITOR OF STATE KEITH FABER



**MORROW COUNTY DISTRICT BOARD OF HEALTH**

**MORROW 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  
NOVEMBER 7, 2019**