



Dave Yost • Auditor of State

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Health:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the District Board of Health, Morgan County, Ohio (the Health District), as of and for the years ended December 31, 2013 and 2012.

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 Health 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 Health District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Health 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Health District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the District Board of Health, Morgan County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014 on our consideration of the Health 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 Health District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 17, 2014

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Intergovernmental	\$181,552	\$89,875	\$271,427
Charges for Services	42,403	1,986	44,389
Fines, Licenses and Permits	25,585	42,031	67,616
Miscellaneous	43		43
<i>Total Cash Receipts</i>	<u>249,583</u>	<u>133,892</u>	<u>383,475</u>
Cash Disbursements			
Current:			
Health:			
Salaries	135,027	118,698	253,725
Fringe Benefits	19,590	19,562	39,152
Supplies	8,690	74	8,764
Remittances to State	11,328	4,135	15,463
Equipment	414		414
Contracts - Repair	696		696
Contracts - Services		18,885	18,885
Travel	1,126	975	2,101
Insurance	51,559		51,559
Advertising and Printing	453		453
Workers Compensation	1,805	1,987	3,792
Unemployment Compensation		3,065	3,065
Medicare	1,946	1,735	3,681
Miscellaneous	13,344	32,783	46,127
<i>Total Cash Disbursements</i>	<u>245,978</u>	<u>201,899</u>	<u>447,877</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,605</u>	<u>(68,007)</u>	<u>(64,402)</u>
<i>Fund Cash Balances, January 1</i>	<u>176,575</u>	<u>123,185</u>	<u>299,760</u>
Fund Cash Balances, December 31			
Restricted		55,178	55,178
Unassigned (Deficit)	<u>180,180</u>		<u>180,180</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$180,180</u></u>	<u><u>\$55,178</u></u>	<u><u>\$235,358</u></u>

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Intergovernmental	\$184,319	\$174,500	\$358,819
Charges for Services	35,643	2,050	37,693
Fines, Licenses and Permits	29,346	27,701	57,047
Miscellaneous	9,826		9,826
<i>Total Cash Receipts</i>	<u>259,134</u>	<u>204,251</u>	<u>463,385</u>
Cash Disbursements			
Current:			
Health:			
Salaries	122,125	134,118	256,243
Fringe Benefits	17,594	17,741	35,335
Supplies	8,842	2,180	11,022
Remittances to State	13,936	3,298	17,234
Equipment	900	3,892	4,792
Contracts - Repair	653		653
Contracts - Services		31,928	31,928
Travel	1,646	1,606	3,252
Insurance	40,000	8,994	48,994
Advertising and Printing	45	552	597
Workers Compensation	1,841	1,868	3,709
Medicare	1,759	1,940	3,699
Miscellaneous	24,460	35,806	60,266
<i>Total Cash Disbursements</i>	<u>233,801</u>	<u>243,923</u>	<u>477,724</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,333</u>	<u>(39,672)</u>	<u>(14,339)</u>
<i>Fund Cash Balances, January 1</i>	<u>151,242</u>	<u>162,857</u>	<u>314,099</u>
Fund Cash Balances, December 31			
Restricted		123,185	123,185
Unassigned (Deficit)	176,575		176,575
<i>Fund Cash Balances, December 31</i>	<u>\$176,575</u>	<u>\$123,185</u>	<u>\$299,760</u>

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 District Board of Health, Morgan County (the Health District), as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. Board members are appointed by the Health District Advisory Council for staggered five year terms. The Health District Advisory Council is made up of the president of the Board of County Commissioners, the chief executive of each municipal corporation not constituting a city health district and chairman of the Board of Trustees of each Township. The Health District's services include referrals to the Bureau of Medically Handicapped Crippled Children Services Program, vital statistics, communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

The Health District uses fund accounting to segregate cash and investments that are restricted as to use. The Health 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.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 Health District had the following significant Special Revenue Funds:

Help Me Grow GRF Fund - This fund receives state monies to provide families with services and support such as prenatal visits, newborn visits and ongoing home visits.

Public Health Emergency Preparedness Fund - This fund accounts for the grant funds awarded by the Ohio Department of Health to address bioterrorism, other outbreaks of infectious disease and other public health threats and emergencies at the county and regional public health level.

E. Budgetary Process

The Ohio Revised Code requires the Health 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 Health District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Health District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 2.

F. Fund Balance

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

The Health 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 Health 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 Health 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 Health 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.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

2. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,050	\$249,583	\$148,533
Special Revenue	122,541	133,892	11,351
Total	\$223,591	\$383,475	\$159,884

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$263,774	\$245,978	\$17,796
Special Revenue	294,285	201,899	92,386
Total	\$558,059	\$447,877	\$110,182

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$259,134	\$259,134
Special Revenue	169,962	204,251	34,289
Total	\$169,962	\$463,385	\$293,423

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,924	\$233,801	\$27,123
Special Revenue	378,022	243,923	134,099
Total	\$638,946	\$477,724	\$161,222

3. Intergovernmental Funding

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Retirement System

The Health 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 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Health District contributed an amount equaling 14% of participants' gross salaries. The Health District has paid all contributions required through December 31, 2013.

5. Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Risk Pool Membership (Continued)

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

6. Contingent Liabilities

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



Dave Yost • Auditor of State

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

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

To the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the District Board of Health, Morgan County, Ohio (the Health District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Health District's basic financial statements and have issued our report thereon dated April 17, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Health 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 Health 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Health 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 2013-001.

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 Health District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Health District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 17, 2014

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 3709.28 states the board of health of the district shall adopt an itemized appropriation measure under this section for that fiscal year on or before the first day of April of the immediately preceding fiscal year. An appropriation measure adopted under this section shall set forth the amounts for the current expenses of the district for the ensuing fiscal year. The appropriation measure, together with an estimate in itemized form, of the several sources of revenue available to the district, including the amount due from the state for the next fiscal year as provided in section 3709.32 of the Revised Code and the amount which the board anticipates will be collected in fees, shall be certified to the county auditor and by the county auditor submitted to the county budget commission, which may reduce the appropriation to be apportioned among the townships and municipal corporations composing the district in accordance with division (C) of this section.

As of December 31, 2013, the following funds had appropriations exceeding estimated resources:

Fund	Estimated Resources	Appropriation Authority	Variance
PHEP	\$47,664	\$78,061	\$(30,397)
Plumbing Program	\$0	10,000	(10,000)

As of December 31, 2012, the following funds had appropriations exceeding estimated resources:

Fund	Estimated Resources	Appropriation Authority	Variance
Health	\$151,242	\$260,924	\$(109,682)
PHEP	33,547	80,477	(46,930)

For the aforementioned funds, the expenditures made exceeded the estimated resources adopted by the Health District.

We recommend the Health District closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code 3709.28 was cited due to appropriations exceeding estimated resources in numerous Special Revenue Funds during 2010.	No	Not Corrected; Reissued as Finding Number 2013-01.
2011-02	Significant Deficiency regarding reclassifications of intergovernmental receipts during 2011 and 2010.	No	Not Corrected; Reissued in Management Letter.



Dave Yost • Auditor of State

MORGAN COUNTY DISTRICT BOARD OF HEALTH

MORGAN 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
MAY 13, 2014**