

Highland County General Health District
Highland County
Regular Audit
For the Years Ended December 31, 2016 and 2015



Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549

natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com



Dave Yost • Auditor of State

Members of the Board
Highland County General Health District
1487 N High St STE 400
Hillsboro, OH 45133

We have reviewed the *Independent Auditor's Report* of the Highland County General Health District, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2015 through December 31, 2016. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Jared Warner, Health Commissioner for the Highland County General Health District entered into a contract effective November 1, 2014 through November 1, 2017 at a salary of \$72,500 per year. During 2015 there were 27 pay periods and Mr. Warner was paid \$75,288.42. This resulted in \$2,788.42 being paid to Mr. Warner over his approved contract.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jared Warner, Health Commissioner, in the amount of \$2,788 and in favor of the Highland County General Health District.

In a letter received from the Highland County Auditor, Jared Warner did not receive \$2,788.46 due to him on the payroll dated April 21, 2017 as repayment of this finding for recovery. This finding for recovery is considered to be repaid in full.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Highland County General Health District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 18, 2017

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Highland County General Health District
Highland County
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For the Years Ended December 31, 2016 and 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Highland County General Health District, Highland County, (the District), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Highland County General Health District, Highland County, as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

June 19, 2017

Highland County General Health District
*Combined Statement of Cash Receipts, Cash Disbursements, and
 Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts</i>				
Property Taxes	\$508,313	\$0	\$0	\$508,313
Charges for Services	245,448	2,771	0	248,219
Fines, Licenses, Permits	40,040	59,447	0	99,487
Intergovernmental:				
Apportionments	84,478	0	0	84,478
Grants	171,806	0	0	171,806
Reimbursements	25,921	0	0	25,921
Miscellaneous	4,199	847	0	5,046
<i>Total Cash Receipts</i>	1,080,205	63,065	0	1,143,270
<i>Cash Disbursements</i>				
Current:				
Health:				
Salaries	560,019	33,054	0	593,073
Payroll Taxes	7,713	0	0	7,713
Supplies	109,793	0	0	109,793
Remittance - State	38,036	7,608	0	45,644
Permit Fee - State Share	0	1,104	0	1,104
Equipment	4,598	0	0	4,598
Water Test Fee - State Share	0	2,647	0	2,647
Contracts - Repairs	7,524	0	0	7,524
Contracts - Services	79,826	0	0	79,826
Travel	20,602	2,729	0	23,331
Insurance	108,024	0	0	108,024
Advertising & Printing	2,234	0	0	2,234
PERS	92,897	4,628	0	97,525
Workers Compensation & DWR	7,622	695	0	8,317
Tax Collection Fees	16,126	0	0	16,126
Other Expenses	16,424	823	0	17,247
Health Educator Contract	39,656	0	0	39,656
Sewage Contracts	14,790	0	0	14,790
<i>Total Cash Disbursements</i>	1,125,884	53,288	0	1,179,172
<i>Excess of Receipts Over (Under) Disbursements</i>	(45,679)	9,777	0	(35,902)
<i>Other Financing Receipts (Disbursements)</i>				
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(5,000)	0	5,000	0
<i>Net Change in Fund Cash Balances</i>	(50,679)	9,777	5,000	(35,902)
<i>Fund Cash Balances, January 1</i>	323,369	13,704	46,620	383,693
Restricted	0	23,481	0	23,481
Committed	0	0	51,620	51,620
Assigned	272,690	0	0	272,690
<i>Fund Cash Balances, December 31</i>	\$272,690	\$23,481	\$51,620	\$347,791

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

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

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:

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

RV Parks Fund - This fund receives fees for licenses purchased for recreation vehicle park operations.

Swimming Pool Fund - This fund receives fees for licenses purchased for public and/or commercial pool operations.

Private Water Fund - This fund receives fees for licenses for private wells and water haulers as well as fees for water samples.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives money from the General Fund for future needs with building projects.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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.

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

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

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.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Committed - The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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 - Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,060,375	\$1,080,205	\$19,830
Special Revenue	58,123	63,065	4,942
Capital Projects	5,000	5,000	0
Total	\$1,123,498	\$1,148,270	\$24,772

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,343,027	\$1,130,884	\$212,143
Special Revenue	65,848	53,288	12,560
Capital Projects	51,620	0	51,620
Total	\$1,460,495	\$1,184,172	\$276,323

Note 4 - Deposits and Investments

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

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – 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.

Property Taxes - Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Health adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

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 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 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 agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

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

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

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately \$6,000.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management (continued)

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

Year	Contributions to PEP
2016	\$9,545

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 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 8 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The District is not currently party to legal proceedings.

Highland County General Health District
*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts</i>				
Property Taxes	\$497,702	\$0	\$0	\$497,702
Charges for Services	229,307	2,342	0	231,649
Fines, Licenses, Permits	28,293	58,310	0	86,603
Intergovernmental:				
Apportionments	95,323	0	0	95,323
Grants	147,854	0	0	147,854
Other	3,215	735	0	3,950
<i>Total Cash Receipts</i>	1,001,694	61,387	0	1,063,081
<i>Cash Disbursements</i>				
Current:				
Health:				
Salaries	584,483	53,647	0	638,130
Payroll Taxes	7,257	0	0	7,257
Supplies	86,916	55	0	86,971
Remittance - State	41,743	6,923	0	48,666
Permit Fee - State Share	0	1,196	0	1,196
Equipment	2,475	0	0	2,475
Water Test Fee - State Share	0	2,044	0	2,044
Contracts - Repairs	6,088	0	0	6,088
Contracts - Services	64,293	0	0	64,293
Travel	16,905	3,043	0	19,948
Insurance	105,423	0	0	105,423
Advertising & Printing	1,302	0	0	1,302
PERS	90,537	6,704	0	97,241
Workers Compensation & DWR	7,417	311	0	7,728
Tax Collection Fees	18,543	0	0	18,543
Audit Expenses	4,438	0	0	4,438
Other Expenses	7,704	3,347	0	11,051
<i>Total Cash Disbursements</i>	1,045,524	77,270	0	1,122,794
<i>Excess of Receipts Under Disbursements</i>	(43,830)	(15,883)	0	(59,713)
<i>Other Financing Receipts (Disbursements)</i>				
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	(5,000)	0	5,000	0
<i>Net Change in Fund Cash Balances</i>	(48,830)	(15,883)	5,000	(59,713)
<i>Fund Cash Balances, January 1</i>	372,199	29,587	41,620	443,406
Restricted	0	13,704	0	13,704
Committed	0	0	46,620	46,620
Assigned	238,686	0	0	238,686
Unassigned	84,683	0	0	84,683
<i>Fund Cash Balances, December 31</i>	\$323,369	\$13,704	\$46,620	\$383,693

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

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

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

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

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:

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

RV Parks Fund - This fund receives fees for licenses purchased for recreation vehicle park operations.

Swimming Pool Fund - This fund receives fees for licenses purchased for public and/or commercial pool operations.

Private Water Fund - This fund receives fees for licenses for private wells and water haulers as well as fees for water samples.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives money from the General Fund for future needs with building projects.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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.

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

A summary of the 2015 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

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.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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

Committed - The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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 - Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$981,351	\$1,001,694	\$20,343
Special Revenue	57,439	61,387	3,948
Capital Projects	5,000	5,000	0
Total	\$1,043,790	\$1,068,081	\$24,291

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,256,792	\$1,050,524	\$206,268
Special Revenue	86,431	77,270	9,161
Capital Projects	46,619	0	46,619
Total	\$1,389,842	\$1,127,794	\$262,048

Note 4 - Deposits and Investments

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

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – 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.

Property Taxes - Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Health adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

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 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 the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

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

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District's share of these unpaid claims collectible in future years is approximately \$8,000.

Highland County General Health District
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 – Risk Management (continued)

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

Year	Contributions to PEP
2015	\$12,149

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 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

Note 8 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The District is not currently party to legal proceedings.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Highland County General Health District, Highland County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2017, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-002 to be a significant deficiency.

Compliance and Other Matters

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

District's Responses to Findings

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

Purpose of this Report

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



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

June 19, 2017

Highland County General Health District
Highland County
Schedule of Findings and Responses
For the Years Ended December 31, 2016 and 2015

Finding Number 2016-001

Material Weakness - Financial Reporting

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

During testing, we identified various errors within the annual financial reports presented for audit. Such errors include various misclassifications within other expenses and fund balances. Certain errors were corrected, others were deemed to be immaterial by both management and the audit team and therefore correction was waived.

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

Client Response:

Concur with recommendation. The Fiscal Officer was hired and started after the 2015 budget was in place. During the audit in August of 2015, many charges were approved and not changed for the 2016 budget, however not to the 2015 year due to it being in the 3rd and 4th quarters. You will find that these financial issues were nonexistent in 2016.

Finding Number 2016-002

Payroll Procedures – Significant Deficiency

Having a sound internal control framework is pertinent to a properly functioning organization. A pertinent element of a properly functioning internal control system is maintaining accurate, complete, and centralized payroll records.

The following was noted during testing:

- The health commissioner was overpaid in 2015, which was the result of the District having 27 pays in 2015 instead of 26.
- Comp time balances are not centrally maintained.
- Sufficiently detailed timesheets are not properly maintained. Activity logs are maintained to support required cost methodology calculations, but they are not complete for payroll allocations required for fund accounting purposes. Further, activity logs have not been submitted to the fiscal officer timely for a basis for fund allocations. Detailed timesheets should encompass all time charged by employees, including leave and comp time, and should be reviewed and approved by a supervisor and submitted to the fiscal officer prior to payroll processing for proper fund allocation.

The District should take steps to ensure comp time balances are centrally maintained. Detailed timesheets should be utilized and an approval process should be placed in operation. Timesheets should be submitted to the fiscal officer for payroll processing.

We noted that upon notification of the overpayment of the health commissioner, he repaid this balance prior to finalizing the audit.

Highland County General Health District
Highland County
Schedule of Findings and Responses
For the Years Ended December 31, 2016 and 2015

Finding Number 2016-002 (continued)

Client Response:

Concur with recommendation: The Health Commissioner overpayment was corrected immediately per notification. Payroll procedures were updated to ensure this doesn't occur in the future. Comp time tracking and timesheet tracking procedures will be modified to better meet fiscal tracking needs. Efforts to improve timesheet tracking were underway prior to audit and the Health Department will continue to work towards creating a better system for tracking employee time and activities.

Highland County General Health District
Highland County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2016 and 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Financial Reporting	Not corrected	Reissued as finding 2016-001

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Dave Yost • Auditor of State

HIGHLAND COUNTY GENERAL HEALTH DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2017**