



**MADISON COUNTY – LONDON CITY GENERAL HEALTH DISTRICT  
MADISON COUNTY  
Regular Audit  
For the Years Ended December 31, 2018 and 2017**

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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  
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Board Members  
Madison County - London City General Health District  
P.O. Box 467  
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of the Madison County - London City General Health District, 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 Madison County - London City General Health District is responsible for compliance with these laws and regulations.

Keith Faber  
Auditor of State  
Columbus, Ohio

July 31, 2019

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MADISON COUNTY – LONDON CITY GENERAL HEALTH DISTRICT  
MADISON COUNTY

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Certified Public Accountants, A.C.

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## INDEPENDENT AUDITOR'S REPORT

July 1, 2019

Madison County - London City General Health District  
Madison County  
P.O. Box 467  
London, OH 43140

To the Members of 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 **Madison County – London City General Health District**, Madison 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 of 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 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 requirements.

Although the effects on the financial statement 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 Madison County – London City General Health District, Madison County as of December 31, 2018 and 2017, and 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) permits, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 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



**MADISON COUNTY - LONDON CITY GENERAL HEALTH DISTRICT  
MADISON COUNTY**

**COMBINED STATEMENTS 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	\$ 630,080	\$ -	\$ 630,080
Fines, Licenses, and Permits	154,936	451,665	606,601
Intergovernmental:			
Apportionments	73,405	-	73,405
Grants	3,500	322,080	325,580
Other	163,505	16,084	179,589
Miscellaneous	13,808	18,883	32,691
<b>Total Cash Receipts</b>	<b>1,039,234</b>	<b>808,712</b>	<b>1,847,946</b>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	221,699	732,597	954,296
Supplies	8,965	74,642	83,607
Travel	2,932	12,235	15,167
Advertising and Printing	1,946	-	1,946
PERS	37,796	100,418	138,214
Medicare	3,109	9,986	13,095
Miscellaneous	56,387	16,857	73,244
Equipment	2,517	-	2,517
Insurance	29,072	123,859	152,931
Remittance to State	-	11,130	11,130
State Permits	-	4,508	4,508
Contract Services	148,572	7,452	156,024
Workers Comp	1,851	6,038	7,889
Educational/Materials	4,065	-	4,065
Utilities	14,498	-	14,498
<b>Total Cash Disbursements</b>	<b>533,409</b>	<b>1,099,722</b>	<b>1,633,131</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>505,825</b>	<b>(291,010)</b>	<b>214,815</b>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	16,163	392,455	408,618
Transfers Out	(374,700)	(33,918)	(408,618)
Advances In	20,000	20,000	40,000
Advances Out	(20,000)	(20,000)	(40,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(358,537)</b>	<b>358,537</b>	<b>-</b>
<b>Net Change in Fund Cash Balances</b>	<b>147,288</b>	<b>67,527</b>	<b>214,815</b>
<b>Fund Cash Balances, January 1</b>	<b>965,575</b>	<b>166,046</b>	<b>1,131,621</b>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	72,292	72,292
Committed	125,000	-	125,000
Assigned	508,283	161,281	669,564
Unassigned	479,580	-	479,580
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,112,863</b>	<b>\$ 233,573</b>	<b>\$ 1,346,436</b>

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

# Madison County – London City General Health District

## Madison County

### Notes to the Financial Statements

For the Year Ended December 31, 2018

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#### Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison County – London City General Health District, Madison County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District was established as a contractual union of the London City Health District and the Madison County Health District. The District operates under Sections 3709.02 and 3709.07, Ohio Revised Code, Ohio Administrative Code and any programs deemed necessary by the District. The District's services include the recording of certificates of vital statistics, immunization clinics, inspections, public health nursing services and health related issues, licenses and permits.

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

#### **Public Entity Risk Pool**

The District belongs to the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 to disbursement for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

**Public Health Nursing** This fund receives fees for various services, including providing home nursing services to elderly and homebound persons, immunizations to children and adults, physicals and vision screening for children and supplying nursing services to schools.

**Women, Infants, and Children (WIC)** This is a federal grant which accounts for the money received and disbursed for the Special Supplemental Nutrition Program.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**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 disbursements 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 disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 canceled, and reappropriated in the subsequent year.

A summary of 2018 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.

***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.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**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 disbursements 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 disbursements 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, 2018, follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,077,080	\$1,055,397	(\$21,683)
Special Revenue	1,283,773	1,201,167	(82,606)
Total	\$2,360,853	\$2,256,564	(\$104,289)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,050,140	\$908,107	\$142,033
Special Revenue	1,259,896	1,133,641	126,255
Total	\$2,310,036	\$2,041,748	\$268,288

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Madison 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.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 5 – Intergovernmental Funding**

***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 \$630,080. The collections are reflected as subdivisions on the financial statements.

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 2018 consisted of \$20,000 advanced from the General Fund to the Federal WIC fund to provide working capital for operations.

**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 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (latest information available).

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

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 7 – 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. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the District's share of these unpaid claims collectible in future years is approximately \$5,000.

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

<b>2018 Contributions to PEP</b> <b>\$8,012</b>
--

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

**Note 8 – Defined Benefit Pension Plan**

***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, 2018.

**Note 9 – Postemployment Benefits**

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

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

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**Note 10 – Contingent Liabilities**

Management is not aware of any pending litigation.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

**MADISON COUNTY - LONDON CITY GENERAL HEALTH DISTRICT  
MADISON COUNTY**

**COMBINED STATEMENTS 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>			
Subdivisions	\$ 612,404	\$ -	\$ 612,404
Licenses, Permits, and Fees	54,648	510,018	564,666
Intergovernmental	204,036	362,920	566,956
Miscellaneous	25,555	4,826	30,381
<i>Total Cash Receipts</i>	<u>896,643</u>	<u>877,764</u>	<u>1,774,407</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	245,876	793,481	1,039,357
Supplies	9,932	91,226	101,158
Travel	3,499	13,054	16,553
Advertising and Printing	5,074	-	5,074
PERS	38,662	108,126	146,788
Medicare	3,428	14,995	18,423
Miscellaneous	52,733	33,868	86,601
Equipment	2,030	-	2,030
Insurance	35,249	117,065	152,314
Remittance to State	-	11,002	11,002
State Permits	-	4,416	4,416
Contract Services	119,707	21,696	141,403
Workers Comp	2,177	6,590	8,767
Educational/Materials	4,646	9,964	14,610
Utilities	14,529	-	14,529
<i>Total Cash Disbursements</i>	<u>537,542</u>	<u>1,225,483</u>	<u>1,763,025</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>359,101</u>	<u>(347,719)</u>	<u>11,382</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	82,290	404,154	486,444
Transfers Out	(390,000)	(96,444)	(486,444)
Advances In	11,960	31,960	43,920
Advances Out	(31,960)	(11,960)	(43,920)
	-	-	-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(327,710)</u>	<u>327,710</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	31,391	(20,009)	11,382
<i>Fund Cash Balances, January 1</i>	<u>934,184</u>	<u>186,054</u>	<u>1,120,238</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	166,045	166,045
Unassigned	965,575	-	965,575
<i>Fund Cash Balances, December 31</i>	<u>\$ 965,575</u>	<u>\$ 166,045</u>	<u>\$ 1,131,620</u>

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



# Madison County – London City General Health District

## Madison County

### Notes to the Financial Statements

For the Year Ended December 31, 2017

---

#### Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison County – London City General Health District, Madison County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District was established as a contractual union of the London City Health District and the Madison County Health District. The District operates under Sections 3709.02 and 3709.07, Ohio Revised Code, Ohio Administrative Code and any programs deemed necessary by the District. The District's services include the recording of certificates of vital statistics, immunization clinics, inspections, public health nursing services and health related issues, licenses and permits.

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

#### **Public Entity Risk Pool**

The District belongs to the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 to disbursement for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

**Public Health Nursing** This fund receives fees for various services, including providing home nursing services to elderly and homebound persons, immunizations to children and adults, physicals and vision screening for children and supplying nursing services to schools.

**Women, Infants, and Children (WIC) Fund** The women, infants, and children (WIC) fund accounts for and reports monies received from a Federal grant restricted for the purpose of the Special Supplemental Nutrition Program.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**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 disbursements 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 disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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 canceled, and reappropriated in the subsequent year.

A summary of 2017 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.

***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.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**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 disbursements 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 disbursements 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, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 1,000,550	\$ 978,933	\$ (21,617)
Special Revenue	1,355,301	1,281,918	(73,383)
Total	<u>\$ 2,355,851</u>	<u>\$ 2,260,851</u>	<u>\$ (95,000)</u>

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$ 1,067,060	\$ 927,542	\$ 139,518
Special Revenue	1,505,057	1,321,927	183,130
Total	<u>\$ 2,572,117</u>	<u>\$ 2,249,469</u>	<u>\$ 322,648</u>

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Holmes 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.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 5 – Intergovernmental Funding**

***Intergovernmental Funding***

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

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 2017, consisted of \$20,000 advanced to the Grant PHEP fund to provide working capital for operations. This was repaid to the General fund on March 13, 2018.

**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 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

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

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

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the District's share of these unpaid claims collectible in future years is approximately \$5,000.

**Madison County – London City General Health District**

*Madison County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 7 – 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.

<b>2017 Contributions to PEP</b>
<b>\$8,014</b>

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017.

**Note 10 – Contingent Liabilities**

Management is not aware of any pending litigation.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

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# OHIO AUDITOR OF STATE KEITH FABER



**MADISON COUNTY - LONDON CITY GENERAL HEALTH DISTRICT**

**MADISON 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  
AUGUST 13, 2019**



Certified Public Accountants, A.C.

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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**

July 1, 2019

Madison County – London City General Health District  
Madison County  
P.O. Box 467  
London, OH 43140

To the Members of the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Madison County – London City General Health District**, Madison County (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 1, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a 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 preceding paragraph and was not designed to identify all deficiencies in internal control 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 no instances of noncompliance or other matter we must report under *Government Auditing Standards*.

**District's Response to Findings**

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

**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

**MADISON COUNTY – LONDON CITY GENERAL HEALTH DISTRICT  
MADISON 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>
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**FINDING NUMBER 2018-001**

**Material Weakness**

**Posting Receipts Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2018 and 2017, receipts and disbursements were not always posted or classified correctly. The following errors were noted:

- In 2018 and 2017, property tax receipts were posted at net rather than at gross.
- In 2018, an Advance was classified as a transfer.

Not posting receipts and disbursements accurately resulted in the financial statements requiring adjustments and reclassifications. The District has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified on the financial statements.

**Officials' Response** – Property tax receipts have never been posted as gross in the 20 years of the Health Levy but we will work with the Auditor to have them posted this way in the future. The Board is/was aware of the intent for this to be an advance but it was a grammatical error on the Auditor Letter.

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