



**MARION PUBLIC HEALTH  
MARION COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**



MARION PUBLIC HEALTH  
MARION COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Marion Public Health  
Marion County  
181 S. Main Street  
Marion, Ohio 43302

To the Board of Health:

### ***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 Marion Public Health, Marion County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position 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 Marion Public Health, Marion 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) 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 October 30, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

October 30, 2019

**MARION PUBLIC HEALTH  
MARION COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Charges for Services	\$ 164,220	\$ 111,654	\$ 275,874
Fines, Licenses and Permits	95,718	175,754	271,472
Intergovernmental:			
Apportionments/Subdivisions	295,312	-	295,312
Grants	124,384	602,364	726,748
Other/City Assessment	332,274	345,688	677,962
Miscellaneous	36,326	87,615	123,941
<i>Total Cash Receipts</i>	<u>1,048,234</u>	<u>1,323,075</u>	<u>2,371,309</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries & Benefits	447,200	916,950	1,364,150
Supplies	25,210	28,239	53,449
Equipment	26,941	28,955	55,896
Contract Services	141,212	118,429	259,641
Travel & Expenses	17,559	25,052	42,611
Advertising & Printing	6,044	1,777	7,821
Maintenance	-	12,569	12,569
Improvements	-	186,508	186,508
Other Expenses	6,039	7,304	13,343
Vaccine	-	49,080	49,080
Remittance-State	82,466	14,138	96,604
State of Ohio Permit Fee	-	4,324	4,324
Utilities	40,889	17,476	58,365
ARRA HSTS Improvement Assist	-	204,500	204,500
Debt Service:			
Principal Retirement	-	32,950	32,950
Interest and Fiscal Charges	-	18,294	18,294
<i>Total Cash Disbursements</i>	<u>793,560</u>	<u>1,666,545</u>	<u>2,460,105</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>254,674</u>	<u>(343,470)</u>	<u>(88,796)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Proceeds of Debt	-	133,206	133,206
Transfers In	-	102,085	102,085
Transfers Out	(102,000)	(85)	(102,085)
Advances In	45,000	100,000	145,000
Advances Out	(100,000)	(45,000)	(145,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(157,000)</u>	<u>290,206</u>	<u>133,206</u>
<i>Net Change in Fund Cash Balances</i>	97,674	(53,264)	44,410
<i>Fund Cash Balances, January 1</i>	<u>210,577</u>	<u>911,491</u>	<u>1,122,068</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	858,227	858,227
Assigned	250,140	-	250,140
Unassigned	58,111	-	58,111
<i>Fund Cash Balances, December 31</i>	<u>\$ 308,251</u>	<u>\$ 858,227</u>	<u>\$ 1,166,478</u>

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

1. REPORTING ENTITY

Marion Public Health, Marion County, Ohio (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a seven-member Board of Health.

The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, and issues health-related licenses and permits.

On January 1, 2010, the District Board of Health, Marion County, and the City of Marion Health Department merged, creating a new entity known as Marion Public Health.

The District participates in a public entity risk pool. Note 10 to the financial statements provides additional information for this entity. The Organization is:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio Local governments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

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

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

Deposits and Investments

As required by Ohio Revised Code, the Marion 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.

Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:



MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District has the following significant Special Revenue Funds:

Women, Infants, and Children (WIC) Fund – This Federal grant fund accounts for the Special Supplemental Nutrition Program.

Child and Family Health Fund - This fund receives grant revenue and program income from clinics. The revenue is used for the staff and for supplies to provide services.

Public Health Nursing Fund - This fund receives income from various clinics and an interagency agreement with Marion Adolescent Pregnancy Program. This revenue is used for the staff and for supplies to provide services.

Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. DEPOSITS AND INVESTMENTS

As required by Ohio Revised Code, the Marion 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.

4. BUDGETARY ACTIVITY

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

Fund Type	2018 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,014,602	\$1,093,234	\$78,632
Special Revenue	1,815,151	1,658,366	(156,785)
Total	<u>\$2,829,753</u>	<u>\$2,751,600</u>	<u>(\$78,153)</u>

Fund Type	2018 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,191,801	\$1,098,121	\$93,680
Special Revenue	2,248,706	1,924,476	324,230
Total	<u>\$3,440,507</u>	<u>\$3,022,597</u>	<u>\$417,910</u>

<p>*Note: Appropriation Authority does not include advances but Budgetary Expenditures do include</p>
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MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

5. DEBT

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
2013 Promissory Note	\$397,527	4.14%
2018 Promissory Note	127,662	5.52%
Total	\$525,189	

The District has a promissory note through First Citizens National Bank. The note was obtained in 2013 in the amount of \$517,300 and will be repaid in annual installments of \$37,911, including interest over 20 years, with final maturity in 2032. The District's property is pledged as collateral.

On August 15, 2018, the District obtained a promissory note through First Citizens National Bank in the amount of \$140,000. The Note will be repaid in annual installments of \$13,333, including interest, over 14 years, with final maturity in 2032. The District's property is pledged as collateral.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	First Citizens Loan
2018	\$51,244
2019	51,244
2020	51,244
2021	51,244
2022	51,244
2023-2027	256,220
2028-2032	204,977
Total	\$717,417

6. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over the estimated receipts among the township and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from the property tax settlements and distributes it to the District. These amounts are included in Intergovernmental-Apportionments/Subdivisions in the financial statements.

7. INTERFUND BALANCES

Advances

Outstanding advances at December 31, 2018, consisted of \$132,000 advanced to the WIC, and the Moms Quit for Two Grant funds to provide working capital for operations and projects.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

8. DEFINED BENEFIT PENSION PLANS

The District's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2018, members of OPERS contributed 10% of their gross salaries. The District's contributed an amount equal to 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

9. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017. The portion of employer contributions allocated to health care for SERS members was 0 percent for the period from January 1, 2017, to June 30, 2017, and 0.5 percent for the period from July 1, 2017, through December 31, 2018.

10. RISK MANAGEMENT

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

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

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

	2018
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

During 2018, the District made no payments for casualty claims that exceeded the limits of the casualty policy and no payments for property claims that exceeded the limits of the property policy.

During 2018, the District made no significant changes to coverage from prior year.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

11. CONTINGENT LIABILITIES

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

**MARION PUBLIC HEALTH  
MARION COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Charges for Services	\$ 159,317	\$ 132,777	\$ 292,094
Fines, Licenses and Permits	70,546	187,195	257,741
Intergovernmental:			
Apportionments/Subdivisions	292,044	-	292,044
Grants	99,835	604,111	703,946
Other/City Assessment	341,460	359,211	700,671
Miscellaneous	23,056	67,085	90,141
<i>Total Cash Receipts</i>	<u>986,258</u>	<u>1,350,379</u>	<u>2,336,637</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries & Benefits	429,421	894,818	1,324,239
Supplies	24,058	27,087	51,145
Equipment	20,498	11,957	32,455
Contract Services	236,075	117,326	353,401
Travel & Expenses	11,849	25,283	37,132
Advertising & Printing	5,428	1,753	7,181
Maintenance	-	10,270	10,270
Improvements	-	13,933	13,933
Other Expenses	13,094	3,254	16,348
Vaccine	-	58,113	58,113
Remittance-State	82,795	15,281	98,076
State of Ohio Permit Fee	-	3,864	3,864
Utilities	37,449	16,059	53,508
ARRA HSTS Improvement Assist	-	218,915	218,915
Debt Service:			
Principal Retirement	-	19,808	19,808
Interest and Fiscal Charges	-	18,103	18,103
<i>Total Cash Disbursements</i>	<u>860,667</u>	<u>1,455,824</u>	<u>2,316,491</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>125,591</u>	<u>(105,445)</u>	<u>20,146</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	383,500	383,500
Transfers Out	(380,000)	(3,500)	(383,500)
Advances In	60,000	62,000	122,000
Advances Out	(62,000)	(60,000)	(122,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(382,000)</u>	<u>382,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(256,409)	276,555	20,146
<i>Fund Cash Balances, January 1</i>	<u>466,986</u>	<u>634,936</u>	<u>1,101,922</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	911,491	911,491
Assigned	140,690	-	140,690
Unassigned	69,887	-	69,887
<i>Fund Cash Balances, December 31</i>	<u>\$ 210,577</u>	<u>\$ 911,491</u>	<u>\$ 1,122,068</u>

See accompanying notes to the basic financial statements

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

1. REPORTING ENTITY

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

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Accounting Basis

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MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District has the following significant Special Revenue Funds:

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Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

\*2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. DEPOSIT AND INVESTMENTS

As required by Ohio Revised Code, the Marion 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.

4. BUDGETARY ACTIVITY

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

2017 Budgeted vs. Actual Receipts

Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$961,433	\$1,046,258	\$84,825
Special Revenue	1,897,212	1,795,879	(101,333)
Total	<u>\$2,858,645</u>	<u>\$2,842,137</u>	<u>(\$16,508)</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$1,470,320	\$1,359,959	\$110,361
Special Revenue	1,962,087	1,637,799	324,288
Total	<u>\$3,432,407</u>	<u>\$2,997,758</u>	<u>\$434,649</u>

<p>*Note: Appropriation Authority does not include advances but Budgetary Expenditures do include advances.</p>
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MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

5. DEBT

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
First Citizens Nation Bank Loan	\$417,340	4.14%
Total	\$417,340	

The District has a promissory note through First Citizens National Bank. The note was obtained in 2013 in the amount of \$517,300 and will be repaid in annual installments of \$37,911, including interest over 20 years, with final maturity in 2032. The District's property is pledged as collateral.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	First Citizens Loan
2018	\$37,911
2019	37,911
2020	37,911
2021	37,911
2022	37,911
2023-2027	189,557
2028-2032	189,557
Total	\$568,669

6. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over the estimated receipts among the township and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from the property tax settlements and distributes it to the District. These amounts are included in Intergovernmental-Apportionments/Subdivisions in the financial statements.

7. INTERFUND BALANCES

Advances

Outstanding advances at December 31, 2017, consisted of \$137,000 advanced to the WIC, Child & Family Health Program, and the Moms Quit for Two Grant funds to provide working capital for operations and projects.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

8. DEFINED BENEFIT PENSION PLANS

The District's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2017, members of OPERS contributed 10% of their gross salaries. The District's contributed an amount equal to 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

9. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017. The portion of employer contributions allocated to health care for SERS members was 0 percent for the period from January 1, 2017, to June 30, 2017, and 0.5 percent for the period from July 1, 2017, through December 31, 2018.

10. 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 Districts. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member Districts 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 \$150,000 for property claims.

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

10. RISK MANAGEMENT (Continued)

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 District.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017

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

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. 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>\$ 14,352</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.

11. CONTINGENT LIABILITIES

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

MARION PUBLIC HEALTH  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

12. SUBSEQUENT EVENT

On August 15, 2018, the District obtained a promissory note through First Citizens National Bank in the amount of \$140,000. The Note will be repaid in annual installments of \$13,333, including interest, over 14 years, with final maturity in 2032. The District's property is pledged as collateral.

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# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

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

Marion Public Health  
Marion County  
181 S. Main Street  
Marion, Ohio 43302

To the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Marion Public Health, Marion 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 October 30, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

October 30, 2019

**MARION PUBLIC HEALTH  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
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**

**Financial Reporting  
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District does not have controls in place to help ensure financial information is properly classified on the financial statements and/or disclosed in the notes to the financial statements.

The following material reclassifications and adjustments were posted to the District's financial statements for the year ended December 31, 2018:

- Reclassification of \$100,000 from Transfers-In to Advances-In within the combined Special Revenue fund.
- Adjustment of \$53,264 to correct a mathematical error within the General Fund cash balance.

In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$1 to \$40,470 for the year ended December 31, 2018 and \$1 to \$52,323 for the year ended December 31, 2017 that we have brought to the District's attention.

Lastly, adjustments were made to the 2018 and 2017 notes to the financial statements to include a debt disclosure in Note 5 and a post-employment benefits disclosure in Note 9.

Lack or failure of controls over classifying transactions, posting of financial transactions and financial reporting can result in errors and irregularities that may be disseminated to the governing board, management, and financial statement readers.

We recommend the District develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data through the year. We also recommend the District implement additional procedures over the completeness and accuracy of financial information reported within the District's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytic comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**Officials' Response**

We did not receive a response from Officials to this finding.

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# OHIO AUDITOR OF STATE KEITH FABER



**MARION PUBLIC HEALTH**

**MARION 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  
DECEMBER 3, 2019**