



Dave Yost • Auditor of State



**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

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# Dave Yost • Auditor of State

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

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

June 13, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morgan County, Ohio (the Health District), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Health District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Health District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Health District's larger (i.e., major) funds separately. While the Health District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require health districts to reformat their statements. The Health District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Health District as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the District Board of Health, Morgan County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the District Board of Health, Morgan County, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, on our consideration of the Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

June 13, 2012



**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Intergovernmental	\$186,123	\$213,346	\$399,469
Fines, Licenses and Permits	31,761	30,722	62,483
Charges for Services	30,941		30,941
Miscellaneous	715	430	1,145
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	249,540	244,498	494,038
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	132,709	128,897	261,606
Fringe Benefits	17,115	18,336	35,451
Supplies	10,663	7,250	17,913
Remittances to State	7,344	4,816	12,160
Equipment		4,733	4,733
Contracts - Services		26,622	26,622
Travel	1,051	2,038	3,089
Administrative Fees		213	213
Worker's Compensation	1,566	1,800	3,366
Insurance	29,766	13,919	43,685
Medicare	1,913	1,863	3,776
Other	9,628	58,164	67,792
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	211,755	268,651	480,406
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	37,785	(24,153)	13,632
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	113,457	187,010	300,467
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>			
Restricted		162,857	162,857
Unassigned (Deficit)	151,242		151,242
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$151,242	\$162,857	\$314,099
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$169,996	\$225,154	\$395,150
Licenses, Permits and Fees	25,909	30,782	56,691
Charges for Services	34,801		34,801
Miscellaneous	15,741	1,125	16,866
	<u>246,447</u>	<u>257,061</u>	<u>503,508</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current Disbursements:			
Health:			
Salaries	124,015	137,491	261,506
Fringe Benefits	17,300	20,030	37,330
Supplies	10,287	8,909	19,196
Remittances to State	6,400	3,385	9,785
Equipment		8,940	8,940
Contracts - Services		16,167	16,167
Travel	741	4,793	5,534
Advertising and Printing		775	775
Workers Compensation	2,411	3,129	5,540
Medicare	1,791	1,984	3,775
Insurance	27,980	17,284	45,264
Other	8,765	106,938	115,703
	<u>199,690</u>	<u>329,825</u>	<u>529,515</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	46,757	(72,764)	(26,007)
Fund Cash Balances, January 1	<u>66,700</u>	<u>259,774</u>	<u>326,474</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$113,457</b></u>	<u><b>\$187,010</b></u>	<u><b>\$300,467</b></u>
Reserves for Encumbrances, December 31	<u>\$60</u>	<u>\$658</u>	<u>\$718</u>

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

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds 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 Health District had the following significant Special Revenue Funds:

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 and 2010 budgetary activity appears in Note 2.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Health District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The Health District must adhere to these commitments unless the Board 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.

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**H. Accumulated Leave**

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

**2. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,987	\$249,540	(\$6,447)
Special Revenue	292,582	244,498	(48,084)
Total	\$548,569	\$494,038	(\$54,531)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,684	\$211,755	\$50,929
Special Revenue	440,230	268,651	171,579
Total	\$702,914	\$480,406	\$222,508

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,987	\$246,447	(\$9,540)
Special Revenue	277,884	257,061	(20,823)
Total	\$533,871	\$503,508	(\$30,363)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,684	\$199,750	\$62,934
Special Revenue	500,114	330,483	169,631
Total	\$762,798	\$530,233	\$232,565

Contrary to Ohio law, appropriations exceeded estimated resources in the Food Service Fund by \$778, the BCMH Fund by \$1,383, the Homemaker Program Fund by \$261 and the Public Health-079 Fund by \$32,489 for the year ended December 31, 2010.

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Intergovernmental Funding**

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

**4. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Health District contributed an amount equaling 14% of participants' gross salaries. The Health District has paid all contributions required through December 31, 2011.

**5. Risk Pool Membership**

Prior to 2009, the Health District belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Health District participates in this coverage.

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Risk Pool Membership (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Health District does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<u><b>OPRM</b></u>	<u><b>OPHC</b></u>	<u><b>OPRM</b></u>	<u><b>OPHC</b></u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**6. Contingent Liabilities**

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





# Dave Yost • Auditor of State

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

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

To the Members of the Board

We have audited the financial statements of the District Board of Health, Morgan County, Ohio (the Health District), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012, wherein we noted the Health District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and for December 31, 2011, and we noted the Health District adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Health District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Health District's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-02 to be a significant deficiency. 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Health District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Health District's management in a separate letter dated June 13, 2012.

The Health District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Health District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the District Board of Health, and others within the Health District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

June 13, 2012

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
-------------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2011-01**

**Noncompliance Citation**

Ohio Rev. Code Section 3709.28 states the board of health of a general health district shall, annually, on or before the first Monday of April, adopt an itemized appropriation measure. Such appropriation measure shall set forth the amounts for the current expenses of such district for the fiscal year beginning on the first day of January next ensuing. The appropriation measure, together with an estimate in itemized form, of the several sources of revenue available to the district, including the amount due from the state for the next fiscal year as provided in section 3709.32 of the Revised Code and the amount which the board anticipates will be collected in fees during the next ensuing fiscal year, shall be certified to the county auditor and by the county auditor submitted to the county budget commission which may reduce any item in such appropriation measure but may not increase any item or the aggregate of all items.

As of December 31, 2010, the following funds had appropriations exceeding estimated resources:

Fund	Estimated Resources	Appropriation Authority	Variance
Food Service	\$44,724	\$45,502	(\$778)
BCMH	24,599	25,982	(\$1,383)
Homemaker Program	5,154	5,415	(\$261)
Public Health-079	10,188	42,677	(\$32,489)

The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Health District does not have adequate funds, thus leading to negative fund balances.

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

**Official's Response:** We will make a better effort to correct the variance issue with the appropriations by requesting the appropriate amended certificates when required adjustment is needed.

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02**

**Significant Deficiency**

All local public offices shall maintain an accounting system and accounting reports sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements. Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of audit procedures performed, we noted intergovernmental receipts, such as grants, in the amount of \$241,161 for 2011, and in the amount of \$225,154 for 2010, were posted incorrectly to the annual report as other receipts in the Public Health Emergency Preparedness, Help Me Grow GRF, Help Me Grow Part C, Morgan County Lice, BCMH, Medical Reserve, Solid Waste, Public Health 079, and ARRA Help Me Grow Stimulus Special Revenue Funds. We noted Help Me Grow Part C monies were incorrectly posted to the Help Me Grow GRF Fund instead of the Help Me Grow Part C Fund in the amount of \$17,476 during 2011. In addition, we noted the 2011 annual report did not include the activity of the Help Me Grow Part C Fund totaling \$15,231 in receipts and \$9,887 in expenditures. Further, we noted the 2010 and 2011 annual reports included activity of the Family and Children First Fund which is not a fund of the Health District.

These revenue line item misstatements were a result of the amounts pulled directly from the Morgan County Auditor's revenue audit trail report which is not set up at a detailed line item level for the Health District's funds. As a result, significant adjustments and reclassifications, with which the Health District's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Health District request the Morgan County Auditor set up line items in the Health District's funds to mirror the Health District's sources of revenues in order to ensure the Health District's annual reports reflect the appropriate sources of the Health District's receipts. If the County Auditor declines to setup more detailed accounting records in the county accounting system, management should reclassify the information provided by the County Auditor before submitting the annual financial statements to the auditors for audit. We also recommend the annual reports reflect only those funds of the Health District.

**Official's Response:** We have made attempts with the County Auditor to set up the intergovernmental receipts line items without success. We will continue to list these receipts as intergovernmental within our own accounting system. We also are going to set up our own annual financial reports within the appropriate sources of revenue with detailed accounting reports that will better reflect actual revenue received.

**DISTRICT BOARD OF HEALTH  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Admin. Code 117-2-02(A) was cited for incorrectly classifying receipts.	No	Repeated as Finding Number 2011-002.
2009-002	Ohio Rev. Code Section 3709.28 was cited for having appropriations in excess of budgeted resources.	No	Repeated as Finding Number 2011-001.

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# Dave Yost • Auditor of State

**DISTRICT BOARD OF HEALTH - MORGAN**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 03, 2012**