



Dave Yost • Auditor of State



**DISTRICT BOARD OF HEALTH  
CLINTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

District Board of Health  
Clinton County  
111 S. Nelson Ave, Suite 1  
Wilmington, Ohio 45177

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 the District Board of Health, Clinton County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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, 2016 and 2015, 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 the District Board of Health, Clinton County as of December 31, 2016 and 2015, 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 November 15, 2017, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 15, 2017

**District Board of Health**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$412,216	\$0	\$412,216
Vital Statistics	78,940	0	78,940
Fines, Licenses and Permits	38,238	162,844	201,082
Intergovernmental:			
Grants	3,892	220,694	224,586
Other	75,575	22,996	98,571
Charges for Services	0	317,450	317,450
Miscellaneous	11,765	1,500	13,265
<i>Total Cash Receipts</i>	<u>620,626</u>	<u>725,484</u>	<u>1,346,110</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries/Fringes	283,773	644,678	928,451
Supplies	22,851	118,713	141,564
Equipment	338	3,942	4,280
Maintenance	19,487	1,062	20,549
Travel	5,512	10,782	16,294
Rental	8,058	3,839	11,897
Refund to State	40,645	22,527	63,172
Lab Fees	0	2,201	2,201
Other	42,950	44,888	87,838
Public Assistance Medical	0	7,802	7,802
<i>Total Cash Disbursements</i>	<u>423,614</u>	<u>860,434</u>	<u>1,284,048</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>197,012</u>	<u>(134,950)</u>	<u>62,062</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	0	92,000	92,000
Transfers Out	(92,000)	0	(92,000)
Advances In	56,000	170,226	226,226
Advances Out	(170,226)	(56,000)	(226,226)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(206,226)</u>	<u>206,226</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(9,214)	71,276	62,062
<i>Fund Cash Balances, January 1</i>	<u>651,773</u>	<u>779,530</u>	<u>1,431,303</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	850,806	850,806
Assigned	18,486	0	18,486
Unassigned (Deficit)	624,073	0	624,073
<i>Fund Cash Balances, December 31</i>	<u>\$642,559</u>	<u>\$850,806</u>	<u>\$1,493,365</u>

*See accompanying notes to the basic financial statements*

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## District Board of Health

Clinton County

### *Notes to the Financial Statements For the Year Ended December 31, 2016*

#### **Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Clinton County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

##### ***Fund Accounting***

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

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

***Public Home Nursing Services (PHNF) Fund*** This fund receives fees for providing home nursing services to elderly and homebound persons.

##### ***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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 (except certain agency funds).

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

***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 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 carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

***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.

**District Board of Health**  
Clinton County

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**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.

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

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

**Note 3 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$673,060	\$676,626	\$3,566
Special Revenue	999,961	987,710	(12,251)
Total	\$1,673,021	\$1,664,336	(\$8,685)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$857,061	\$704,326	\$152,735
Special Revenue	1,005,546	917,535	88,011
Total	\$1,862,607	\$1,621,861	\$240,746

## **District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)*

### **Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Clinton 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.

### **Note 5 – 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 \$412,216 in 2016. The financial statements present these amounts as tax receipts.

### **Note 6 – Risk Management**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

#### Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

#### Financial Position

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

**District Board of Health**  
*Clinton County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 6 – Risk Management (Continued)**

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

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District’s share of these unpaid claims collectible in future years is approximately \$8,000.

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><u>2016 Contributions to PEP</u></b> <b><u>\$12,752</u></b>
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)*

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the 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.

**District Board of Health**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$408,764	\$0	\$408,764
Vital Statistics	78,371	0	78,371
Fines, Licenses and Permits	66,201	146,685	212,886
Intergovernmental:			
Grants	0	283,940	283,940
Other	67,088	18,354	85,442
Charges for Services	0	317,314	317,314
Miscellaneous	27,335	1,500	28,835
<i>Total Cash Receipts</i>	<u>647,759</u>	<u>767,793</u>	<u>1,415,552</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries/Fringes	339,653	606,765	946,418
Supplies	8,519	57,410	65,929
Equipment	1,412	683	2,095
Maintenance	10,561	8,795	19,356
Travel	14,062	9,599	23,661
Rental	7,834	3,166	11,000
Refund to State	47,897	16,905	64,802
Lab Fees	0	1,740	1,740
Other	38,210	59,155	97,365
Public Assistance Medical	0	8,483	8,483
<i>Total Cash Disbursements</i>	<u>468,148</u>	<u>772,701</u>	<u>1,240,849</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>179,611</u>	<u>(4,908)</u>	<u>174,703</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	0	178,763	178,763
Transfers Out	(177,358)	(1,405)	(178,763)
Advances In	18,000	56,000	74,000
Advances Out	(56,000)	(18,000)	(74,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(215,358)</u>	<u>215,358</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(35,747)	210,450	174,703
<i>Fund Cash Balances, January 1</i>	<u>687,520</u>	<u>569,080</u>	<u>1,256,600</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	779,530	779,530
Assigned	11,290	0	11,290
Unassigned (Deficit)	640,483	0	640,483
<i>Fund Cash Balances, December 31</i>	<u>\$651,773</u>	<u>\$779,530</u>	<u>\$1,431,303</u>

*See accompanying notes to the basic financial statements*

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## District Board of Health

Clinton County

### *Notes to the Financial Statements For the Year Ended December 31, 2015*

#### **Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Clinton County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

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

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

##### ***Fund Accounting***

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

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***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

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

***Public Home Nursing Services (PHNF) Fund*** This fund receives fees for providing home nursing services to elderly and homebound persons.

##### ***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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 (except certain agency funds).

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

***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 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 carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 3.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

***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.

**District Board of Health**  
Clinton County

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

**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.

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

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

**Note 3 - Budgetary Activity**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$682,557	\$665,759	(\$16,798)
Special Revenue	828,248	1,002,556	174,308
Total	\$1,510,804	\$1,668,315	\$157,511

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$777,652	\$712,796	\$64,856
Special Revenue	857,934	793,660	64,274
Total	\$1,635,586	\$1,506,456	\$129,130

## **District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)*

### **Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Clinton 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.

### **Note 5 – 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 \$408,764 in 2015. The financial statements present these amounts as tax receipts.

### **Note 6 – Risk Management**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

#### Casualty and Property Coverage

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

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

#### Financial Position

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

**District Board of Health**  
*Clinton County*

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**Note 6 – Risk Management (Continued)**

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

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

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><u>2015 Contributions to PEP</u></b>
<b>\$12,401</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 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**District Board of Health**

*Clinton County*

*Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)*

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Contingent Liabilities**

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



# Dave Yost • Auditor of State

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

District Board of Health  
Clinton County  
111 S. Nelson Ave, Suite 1  
Wilmington, Ohio 45177

To the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the District Board of Health, Clinton County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2017, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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

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 opinion 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 2016-001 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 communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 15, 2017



**DISTRICT BOARD OF HEALTH  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

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

**FINDING NUMBER 2016-001**

**Material Weakness**

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The District uses the County's MUNIS accounting system to prepare financial statements. The County chart of accounts includes the expenditure program codes for many common restricted funds. Revenue and expenditures must be properly coded in the MUNIS system to be properly classified on the financial statements. The District did not accurately code receipts and disbursements resulting in classification errors on the financial statements. Failure to have properly classified financial statements can mislead the users on the activity of the District.

The District had known errors that resulted in the following misstatements on the financial statements:

<b>2015</b>					
<b><i>Transaction as Posted (incorrect)</i></b>			<b><i>Correct Transaction Posting</i></b>		
<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Fund</b>	<b>Account</b>	<b>Amount</b>
General	Taxes	\$399,205	General	Taxes	\$410,830
				Other Expenses	\$11,625
Real Estate Taxes and Homestead & Rollback were posted net of fees. These should be posted at the gross amounts and an expenditure posted for the fees.					
General	Taxes	\$55,822	General	Intergovernmental	\$55,822
Homestead & Rollback and Tangible Personal Property Replacement receipts were posted to Taxes and should have been posted to Intergovernmental.					
Public Health Nursing Fund	Charges for Services	\$16,072	Public Health Nursing Fund	Intergovernmental	\$16,072
A receipt from the State for Vaccines Program was posted to Charges for Services and should have been posted to Intergovernmental.					
General	Miscellaneous	\$11,266	General	Intergovernmental	\$11,266
State Subsidy receipts were posted to Miscellaneous and should have been posted to Intergovernmental.					
United Way Medications Fund	Charges for Services	\$1,500	United Way Medications Fund	Miscellaneous	\$1,500
Donation from Heather's Hope was posted to Charges for Services and should have been posted to Miscellaneous receipts.					

**FINDING NUMBER 2016-001  
(Continued)**

General	Transfers In	\$36,264	General	Salaries/Fringes Expenditures	(\$33,098)
				Rental Expenditures	(\$3,166)
Grant reimbursements were recorded as Transfers In in the General fund. The reimbursements should have reduced General fund expenditures.					
WIC Sick/Vacation Fund	Intergov - Other	\$1,405	WIC Sick/Vacation Fund	Transfer In	\$1,405
Transfer to the WIC Sick/Vacation fund was recorded as Other Revenue on the annual financial report and should have been recorded as a Transfer In.					
Health Sick/Vacation Fund	Intergov - Other	\$4,000	Health Sick/Vacation Fund	Transfer In	\$4,000
Transfer to the Health Sick/Vacation fund was recorded as Other Revenue on the annual financial report and should have been recorded as a Transfer In.					

<b>2016</b>					
<b>Transaction as Posted (incorrect)</b>			<b>Correct Transaction Posting</b>		
<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Fund</b>	<b>Account</b>	<b>Amount</b>
General	Taxes	\$48,610	General	Intergovernmental	\$48,610
Homestead & Rollback, Tangible Personal Property Replacement, and Excess REA Distribution receipts were posted to Taxes and should have been posted to Intergovernmental.					
United Way Medications Fund	Charges for Services	\$1,500	United Way Medications Fund	Miscellaneous	\$1,500
A donation from Heather's Hope was posted to Charges for Services and should have been posted to Miscellaneous receipts.					
General	Miscellaneous	\$23,387	General	Intergovernmental	\$23,387
State Subsidy receipts from the State were posted to Miscellaneous and should have been posted to Intergovernmental.					
General	Vital Statistics	\$3,578	General	Intergovernmental	\$3,578

**FINDING NUMBER 2016-001  
 (Continued)**

Vital Statistics receipt from the State was posted to Vital Statistics and should have been posted to Intergovernmental.					
General	Transfers In	\$6,583	General	Salaries/Fringes Expenditures	(\$6,583)
Grant reimbursements were recorded as Transfers In in the General fund. The reimbursements should have reduced General fund expenditures.					
PHEP Fund	Transfers Out	\$6,583	PHEP Fund	Salaries/Fringes Expenditures	\$6,583
Grant reimbursements were recorded as Transfers Out in the PHEP fund. The reimbursements should have been recorded as expenditures.					

Failure to accurately post and report transactions could result in material errors in the District's financial statements and reduces the District's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the District. Audit adjustments were posted to the financial statements and accounting system to correct these errors.

We recommend that the District review funds and account codes to assure that items are being posted accurately and to the proper account codes and funds.

**Officials' Response:**

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

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**DISTRICT BOARD OF HEALTH  
CLINTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Receipt and Disbursement Classification Errors on the Financial Statements	Not Corrected	The District will continue working with the County Auditor to get the classifications errors corrected and the continued transition to the Munis System.
2014-002	Proper Classification of Fund Balances under GASB 54.	Corrective Action Taken and Finding is Fully Corrected	

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# Dave Yost • Auditor of State

CLINTON COUNTY DISTRICT BOARD OF HEALTH

CLINTON 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  
NOVEMBER 28, 2017