



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SIDNEY-SHELBY COUNTY BOARD OF HEALTH  
SHELBY COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Sidney-Shelby County Board of Health  
Shelby County  
202 West Poplar Street  
Sidney, Ohio 45365

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Sidney-Shelby County Board of Health, Shelby County, Ohio (the Health 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 Health 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 Health 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 Health 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 Health 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 Health 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 the Sidney-Shelby County Board of Health, Shelby County as of December 31, 2018 and 2017, 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 2, 2019 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. 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 Health District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 2, 2019

**SIDNEY-SHELBY COUNTY BOARD OF HEALTH  
SHELBY 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>			
Property and Other Local Taxes	\$484,613		\$484,613
Subdivision Revenue	200,000		200,000
Intergovernmental	198,890	329,861	528,751
Local Grant Funding	18,110		18,110
Licenses, Permits, and Fees	104,914	325,342	430,256
Charges for Services	231,856	77,080	308,936
Miscellaneous	8,598	3,492	12,090
<i>Total Cash Receipts</i>	<u>1,246,981</u>	<u>735,775</u>	<u>1,982,756</u>
<b>Cash Disbursements</b>			
Current:			
Health	1,166,064		1,166,064
Camps		6,340	6,340
Solid Waste		9,341	9,341
Pools/Spas		10,507	10,507
Food		108,594	108,594
Water		32,940	32,940
Plumbing		83,731	83,731
IAP Grant		57,573	57,573
Sewage		71,002	71,002
PHEP		75,563	75,563
HMG - Home Visiting		55,136	55,136
WIC		196,869	196,869
Capital Outlay	2,068	343	2,411
<i>Total Cash Disbursements</i>	<u>1,168,132</u>	<u>707,939</u>	<u>1,876,071</u>
<i>Excess of Receipts Over Disbursements</i>	<u>78,849</u>	<u>27,836</u>	<u>106,685</u>
<b>Other Financing Receipts (Disbursements)</b>			
Advances In	35,000	30,000	65,000
Advances Out	<u>(30,000)</u>	<u>(35,000)</u>	<u>(65,000)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,000</u>	<u>(5,000)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	83,849	22,836	106,685
<i>Fund Cash Balances, January 1</i>	<u>358,807</u>	<u>149,111</u>	<u>507,918</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		171,947	171,947
Assigned	224,250		224,250
Unassigned	218,406		218,406
<i>Fund Cash Balances, December 31</i>	<u>\$442,656</u>	<u>\$171,947</u>	<u>\$614,603</u>

See accompanying notes to the financial statements

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**Sidney-Shelby County Board of Health  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018**

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Sidney-Shelby County Board of Health, Shelby County, (the Health District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. The Health District's services include communicable disease investigations, immunization clinics, 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. The Health District participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Health 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 Health 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 Health 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 Health District had the following significant Special Revenue Fund:

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

***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 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 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 Health District to budget each fund annually.

**Sidney-Shelby County Board of Health  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018**

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

**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 Health District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Health District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

**Capital Assets**

The Health 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 Health District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Non-spendable** - The Health District classifies assets as *non-spendable* 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.

**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.

**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.

**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.

**Sidney-Shelby County Board of Health  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018**

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

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.

**Note 3 – Budgetary Activity**

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,333,750	\$1,281,981	(\$51,769)
Special Revenue	799,450	765,775	(33,675)
Total	\$2,133,200	\$2,047,756	(\$85,444)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,434,575	\$1,198,132	\$236,443
Special Revenue	832,360	742,939	89,421
Total	\$2,266,935	\$1,941,071	\$325,864

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Shelby 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.

**Note 5 – Intergovernmental Funding**

***Intergovernmental Funding and Property Taxes***

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 Subdivision Revenue.

The County Commissioners serve as a special taxing authority for special levy outside the ten mill limitation to provide the Health District with sufficient funds for health programs. The levy generated \$484,613 in 2018. The financial statements present these amounts as property tax receipts.

**Sidney-Shelby County Board of Health  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018**

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**Note 6 – Interfund Balances**

***Advances***

Outstanding advances at December 31, 2018, consisted of \$10,000 advanced to the WIC fund from the general fund to provide working capital for operations or projects.

**Note 7 – Risk Management**

Risk Pool Membership

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

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

The Health 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 Health 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:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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. OPERS members contributed 10 percent of their gross salaries and the Health District contributed an amount equaling 14 percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2018.

**Sidney-Shelby County Board of Health  
Shelby County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018**

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**Note 9 – Postemployment Benefits**

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

**Note 10 – 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.

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**SIDNEY-SHELBY COUNTY BOARD OF HEALTH  
SHELBY 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>			
Property and Other Local Taxes	\$470,827		\$470,827
Subdivision Revenue	200,000		200,000
Intergovernmental	144,088	345,825	489,913
Local Grant Funding	20,930		20,930
Licenses, Permits, and Fees	101,254	296,858	398,112
Charges for Services	286,568	68,174	354,742
Miscellaneous	33,870	9,095	42,965
<i>Total Cash Receipts</i>	<u>1,257,537</u>	<u>719,952</u>	<u>1,977,489</u>
<b>Cash Disbursements</b>			
Current:			
Health	1,145,290		1,145,290
Camps		6,386	6,386
Solid Waste		10,923	10,923
Pools/Spas		10,752	10,752
Food		108,490	108,490
Water		31,305	31,305
Plumbing		79,115	79,115
Immunization		70,578	70,578
Sewage		71,923	71,923
PHEP		59,309	59,309
HMG - Home Visiting		55,088	55,088
WIC		221,793	221,793
Capital Outlay	220		220
<i>Total Cash Disbursements</i>	<u>1,145,510</u>	<u>725,662</u>	<u>1,871,172</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>112,027</u>	<u>(5,710)</u>	<u>106,317</u>
<b>Other Financing Receipts (Disbursements)</b>			
Advances In	70,000	85,000	155,000
Advances Out	<u>(85,000)</u>	<u>(70,000)</u>	<u>(155,000)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,000)</u>	<u>15,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	97,027	9,290	106,317
<i>Fund Cash Balances, January 1</i>	<u>261,780</u>	<u>139,821</u>	<u>401,601</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		149,111	149,111
Assigned	100,825		100,825
Unassigned	257,982		257,982
<i>Fund Cash Balances, December 31</i>	<u>\$358,807</u>	<u>\$149,111</u>	<u>\$507,918</u>

See accompanying notes to the financial statements

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**Sidney-Shelby County Board of Health**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Sidney-Shelby County Board of Health, Shelby County, (the Health District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the Health District. The Health District's services include communicable disease investigations, immunization clinics, 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. The Health District participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Health 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 Health 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 Health 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 Health District had the following significant Special Revenue Fund:

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

***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 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 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 Health District to budget each fund annually.

**Sidney-Shelby County Board of Health**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

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

**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 Health District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

**Capital Assets**

The Health 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 Health District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Non-spendable** - The Health 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.

**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.

**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.

**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.

**Sidney-Shelby County Board of Health**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

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

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.

**Note 3 – Budgetary Activity**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,385,250	\$1,327,537	(\$57,713)
Special Revenue	870,594	804,952	(65,642)
Total	\$2,255,844	\$2,132,489	(\$123,355)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,449,650	\$1,230,510	\$219,140
Special Revenue	895,565	795,662	99,903
Total	\$2,345,215	\$2,026,172	\$319,043

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Shelby 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.

**Note 5 – Intergovernmental Funding and Property Taxes**

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 Subdivision Revenue.

The County Commissioners serve as a special taxing authority for special levy outside the ten mill limitation to provide the Health District with sufficient funds for health programs. The levy generated \$470,827 in 2017. The financial statements present these amounts as property tax receipts.

**Sidney-Shelby County Board of Health**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

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**Note 6 – Interfund Balances**

**Advances**

Outstanding advances at December 31, 2017, consisted of \$15,000 advanced to the WIC fund from the general fund to provide working capital for operations or projects.

**Note 7 – Risk Management**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

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

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

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

**Sidney-Shelby County Board of Health**  
**Shelby County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2017**

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**Note 7 – Risk Management (Continued)**

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

<b><u>2017 Contributions to PEP</u></b>
<b>\$ 6,958</b>

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

**Note 8 – Defined Benefit Pension Plan**

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. OPERS members contributed 10 percent of their gross salaries and the Health District contributed an amount equaling 14 percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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 1 percent of the employer contribution to fund these benefits.

**Note 10 – 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.

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# OHIO AUDITOR OF STATE KEITH FABER



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

Sidney-Shelby County Board of Health  
Shelby County  
202 West Poplar Street  
Sidney, Ohio 45365

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Sidney-Shelby County Board of Health, Shelby County, (the Health 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 2, 2019 wherein we noted the Health 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 Health 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 Health 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 Health 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, 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 Health District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Health District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 2, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**SIDNEY- SHELBY COUNTY BOARD OF HEALTH**

**SHELBY 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 7, 2019**