



**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
DECEMBER 31, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

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 District Board of Health, Knox County, Ohio (the District) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 5, 2019

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**KNOX GENERAL HEALTH DISTRICT
KNOX COUNTY**

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

| | <u>All Fund Types</u> | | Totals (Memorandum Only) |
|---|-----------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Taxes | \$ 872,901 | \$ - | \$ 872,901 |
| Charges for Services (Subsidies) | 49,926 | 35,118 | 85,044 |
| Fines, Licenses, Permits & Fees | 148,956 | 1,422,690 | 1,571,646 |
| Intergovernmental: | | | |
| Grants | 168,311 | 1,626,143 | 1,794,454 |
| Homestead Rollbacks | 116,525 | - | 116,525 |
| Refunds & Reimbursements | 9,798 | 5,768 | 15,566 |
| Other | 11,709 | - | 11,709 |
| Contracts | 131,435 | 365,127 | 496,562 |
| Miscellaneous | - | 183,825 | 183,825 |
| Total Cash Receipts | 1,509,561 | 3,638,671 | 5,148,232 |
| Cash Disbursements: | | | |
| Current Disbursements: | | | |
| Health: | | | |
| Salaries & Fringes | 968,327 | 2,186,365 | 3,154,692 |
| Travel & Expenses | 14,507 | 52,443 | 66,950 |
| Supplies | 62,071 | 372,942 | 435,013 |
| Contract, Services, Repair | 257,311 | 521,116 | 778,427 |
| Building Lease (Bond) | 77,088 | 50,000 | 127,088 |
| Other | 100,554 | 119,968 | 220,522 |
| Advertising & Printing | 18,841 | 45,356 | 64,197 |
| Utilities | 33,107 | 17,547 | 50,654 |
| Equipment | 69,075 | 121,015 | 190,090 |
| Total Cash Disbursements | 1,600,881 | 3,486,752 | 5,087,633 |
| Total Receipts Over/(Under) Disbursements | (91,320) | 151,919 | 60,599 |
| Other Financing Receipts/(Disbursements): | | | |
| Transfers-In | - | 147,500 | 147,500 |
| Advances-In | 155,600 | 10,000 | 165,600 |
| Transfers-Out | (147,500) | - | (147,500) |
| Advances-Out | (10,000) | (155,600) | (165,600) |
| Total Other Financing Receipts/(Disbursements) | (1,900) | 1,900 | - |
| Net Change in Fund Cash Balances | (93,220) | 153,819 | 60,599 |
| Fund Cash Balances, January 1 | 775,936 | 862,095 | 1,638,031 |
| Restricted | 5,037 | 1,015,914 | 1,020,951 |
| Assigned | 364,181 | - | 364,181 |
| Unassigned (Deficit) | 313,498 | - | 313,498 |
| Fund Cash Balances, December 31 | \$ 682,716 | \$ 1,015,914 | \$ 1,698,630 |

See accompanying notes to the basic financial statements

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the District Board of Health, Knox County, Ohio, (the District) as a body corporate and politic. A nine-member Board and a Health Commissioner govern the District. The Board is comprised of three members appointed by the City of Mount Vernon, five members appointed by the Health Advisory Council of Knox County and one alternate member appointed by the Health Licensing Council. 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:

Community Health Center Grant Fund - This fund is used to provide dental health services to those in the community on Medicare and Medicaid or with no insurance. It also provides a sliding fee schedule for those who are of low income.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level, 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 2018 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 | \$1,889,482 | \$1,665,161 | (\$224,321) |
| Special Revenue | 4,380,081 | 3,796,171 | (583,910) |
| Total | \$6,269,563 | \$5,461,332 | (\$808,231) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,168,842 | \$1,831,065 | \$337,777 |
| Special Revenue | 4,085,418 | 3,747,927 | 337,491 |
| Total | \$6,254,260 | \$5,578,992 | \$675,268 |

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Knox 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 – Property Taxes

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 \$989,426 in 2018. The financial statements present these amounts as property tax and intergovernmental receipts.

Note 6 – Interfund Balances

Advances

Outstanding advances to the General fund at December 31, 2018, consisted of \$5,000 advanced to the Public Health Emergency Preparedness fund and \$5,000 advanced to the Drug Free Communities fund to provide working capital for operations or projects from the General Fund.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 7 – Risk Management

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

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

Risk Pool Membership

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

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

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

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

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, 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.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 10 – 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.

Note 11 – Health Department Capital Lease

Capital lease outstanding at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|----------------|------------------|----------------------|
| Building Lease | \$ 350,000 | 3.50% |

Knox County issued a 20 year bond issue on August 15, 2000, to fund the construction of the new health department building. The Knox County District Board of Health entered into a 20 year lease with the County which requires the District to pay the County yearly payments which match the yearly principal and interest on the bonds outstanding. In 2010, Knox County refinanced the bonds to obtain a lower interest rate.

The required remaining lease payments at December 31, 2018 are as follows:

| Year ending December 31: | Building Lease |
|--------------------------|-------------------|
| 2019 | \$ 127,000 |
| 2020 | 126,480 |
| 2021 | <u>124,800</u> |
| Total | \$ 378,280 |
| Less Interest: | <u>28,280</u> |
| Lease Principal | <u>\$ 350,000</u> |

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DISTRICT BOARD OF HEALTH
KNOX COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|---------------------------|--|-------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Health</i> | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | 04210011WA1118, 04210011WA1219 | \$276,556 |
| Total U.S. DEPARTMENT OF AGRICULTURE | | | <u>276,556</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed Through Ohio Department of Public Safety</i> | | | |
| <i>Highway Safety Cluster</i> | | | |
| State and Community Highway Safety | 20.600 | 69A37518300004020OH0, 69A37518300004020OH0 | 25,528 |
| Total U.S. DEPARTMENT OF TRANSPORTATION | | | <u>25,528</u> |
| U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY | | | |
| <i>Passed Through Ohio Department of Health</i> | | | |
| State Indoor Radon Grants | 66.032 | 04510012IR1018 | 3,929 |
| Total of U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY | | | <u>3,929</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Direct Programs</i> | | | |
| <i>Health Center Program Cluster</i> | | | |
| Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) | 93.224 | | 737,860 |
| Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program | 93.527 | | 217,508 |
| Total Health Center Program Cluster | | | <u>955,368</u> |
| Drug-Free Communities Support Program Grants | 93.276 | | 140,505 |
| <i>Passed Through Ohio Department of Health</i> | | | |
| Public Health Emergency Preparedness | 93.069 | 04210012PH0918, 04210012PH1019 | 79,562 |
| National State Based Tobacco Control Programs | 93.305 | 04210014CC0418 | 2,631 |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 93.758 | 04210014CC0317, 04210014CC0418 | 90,405 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 04210011MP0218, 04210011MP0319, B04MC30634-01-04 | 49,014 |
| Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>1,317,485</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$1,623,498</u></u> |

The accompanying notes are an integral part of this schedule.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District Board of Health (the District) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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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*

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

To the Members of the Board of Health:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the District Board of Health, Knox County, (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated November 5, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 5, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

District Board of Health
Knox County
11660 Upper Gilchrist Road
Mount Vernon, Ohio 43050

To the Board of Health:

Report on Compliance for the Major Federal Program

We have audited District Board of Health's, Knox County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect District Board of Health's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, District Board of Health complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 5, 2019

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
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|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Adverse under GAAP, unmodified under the regulatory basis |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Health Center Program Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(continued)**

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|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

FINDING NUMBER 2018-001

Financial Statement Presentation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB codification 1800.175-.176 (GASB 54 paragraphs 15-16) indicate the General Fund should report assigned fund balances for any encumbrances outstanding at fiscal year-end as well as amounts assigned from subsequent year appropriations, which would be equal to amount of subsequent year's appropriations that exceed the subsequent year's estimated receipts. GASB codification 1800.168 (GASB 54 paragraph 8) indicates Restricted Fund Balance: the restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation.

Lack or failure of controls over posting of financial transactions led to the financial statements and accounting records requiring the following reclassifications:

- General fund Assigned fund balance was understated while the Unassigned fund balance was overstated by \$275,974 due to subsequent year's appropriations and \$72,684 due to encumbrances not being included.
- Special Revenue Committed fund balance was overstated by \$797,774 and Restricted fund balance was understated by the respective amount due to funds that had an external restriction being reported as Committed fund balance.

Changes noted on Note 3 to the Financial Statements are as follows:

- Special Revenue Appropriation Authority was overstated by \$367,714 due to incorrect appropriation amounts.

These reclassifications were posted to the District's financial statements and notes.

Failure to properly present financial statements and notes could result in material financial statement errors in the future.

We recommend the District implement effective control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. This should include a review of Governmental Accounting Standards Board Statement (GASB) No. 54 to ensure the fund balances are appropriately classified. In addition, the District should ensure all amounts in the footnotes are correct and agree to either the financial statements or supporting documentation.

**DISTRICT BOARD OF HEALTH
KNOX COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018
(continued)**

Financial Statement Presentation – Material Weakness (continued)

Officials' Response: See corrective action plan.

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|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

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Corrective Action Plan
2 CFR § 200.511(c)
2018

Finding Number: 2018-001

Planned Corrective Action: The District plans on adding all encumbrances related to the General Fund to the assigned fund balance and as for Special Revenue the District will ensure all monies restricted by the Ohio Revised Code will be classified as Restricted. The District will also ensure the notes are correctly calculated and updated to the amounts on the financial statements.

Anticipated Completion Date: When filing the next financial statements and footnotes.

Responsible Contact Person: Julie Miller and Zach Green

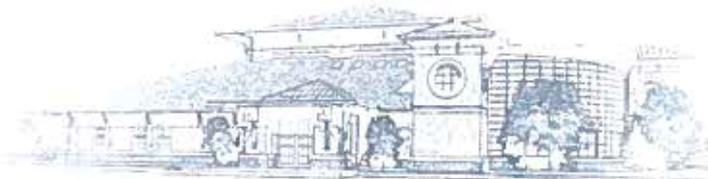
Respectfully,

A handwritten signature in blue ink that reads "Julie E. Miller". The signature is fluid and cursive, with a long horizontal stroke at the end.

Julie E. Miller
Health Commissioner



Located inside the Knox County Health Department



"The Knox County Health Department is committed to promoting health lifestyles,
preventing illness and protecting the environment for our community"

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OHIO AUDITOR OF STATE KEITH FABER



KNOX COUNTY DISTRICT BOARD OF HEALTH

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2019**