



Dave Yost • Auditor of State

HURON COUNTY PUBLIC HEALTH
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	3
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund - For the Year Ended December 31, 2016	4
Notes to the Financial Statements For the Year Ended December 31, 2016	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Summary Schedule of Prior Audit Findings (Prepared by Management).....	18

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Huron County Public Health
Huron County
180 Milan Avenue
Norwalk, Ohio 44857-1168

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 Huron County Public Health, Huron County, Ohio (the District) as of and for the year ended December 31, 2016.

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.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

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 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 Huron County Public Health, Huron County, Ohio, as of December 31, 2016, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, 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

June 28, 2018

Huron County Public Health*Huron 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)
Cash Receipts			
Property and Other Local Taxes	\$467,768		\$467,768
Intergovernmental	168,217	\$101,939	270,156
Charges for Services	795,583	20,969	816,552
Licenses, Permits, and Fees	300,338		300,338
Donations	75,288		75,288
Contract Services	279,079		279,079
Miscellaneous	39,354		39,354
<i>Total Cash Receipts</i>	<u>2,125,627</u>	<u>122,908</u>	<u>2,248,535</u>
Cash Disbursements			
Current Disbursements:			
Health:			
Salaries, Wages, and Benefits	1,010,255	91,964	1,102,219
Unemployment	7,872		7,872
Office Supplies	96,427	5,130	101,557
Project Expense	37,380	36,553	73,933
Equipment	21,388		21,388
OPERS	130,025	12,566	142,591
Workers' Compensation	4,668	455	5,123
Medicare	13,877	1,259	15,136
Hospitalization	148,194	13,195	161,389
State Fees	83,047		83,047
Contracts Repair / Service / Personnel	108,732		108,732
Travel Expense	23,886		23,886
Vaccine	357,712		357,712
Advertising and Printing	2,586		2,586
Utilities / Refunds	50,230		50,230
<i>Total Cash Disbursements</i>	<u>2,096,279</u>	<u>161,122</u>	<u>2,257,401</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,348</u>	<u>(38,214)</u>	<u>(8,866)</u>
Other Financing Receipts (Disbursements)			
Advances In	21,000	42,200	63,200
Advances Out	(42,200)	(21,000)	(63,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(21,200)</u>	<u>21,200</u>	
<i>Net Change in Fund Cash Balances</i>	8,148	(17,014)	(8,866)
<i>Fund Cash Balances, January 1</i>	<u>780,493</u>	<u>38,943</u>	<u>819,436</u>
Fund Cash Balances, December 31			
Restricted		21,929	21,929
Assigned	33,479		33,479
Unassigned	755,162		755,162
<i>Fund Cash Balances, December 31</i>	<u>\$788,641</u>	<u>\$21,929</u>	<u>\$810,570</u>

See accompanying notes to the financial statements

Huron County Public Health
Huron County
Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2016

	<u>Agency</u>
Non-Operating Receipts (Disbursements)	
Donations	\$40,550
Other	<u>(37,144)</u>
<i>Net Change in Fund Cash Balance</i>	3,406
<i>Fund Cash Balance, January 1</i>	<u>21,554</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$24,960</u></u>

See accompanying notes to the financial statements

Huron County Public Health
Huron 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 Huron County Public Health, Huron County, Ohio (the District) as a body corporate and politic. The District is a combined Board of health as defined by Section 3709.07 of the Ohio Rev. Code. The District is the union of the General Health District and the Board of Health of the Cities of Norwalk and Willard. The District operates under the direction of a nine-member appointed Board of Health with one member appointed by each of the cities, one member appointed by the Licensing Committee and five members appointed by the District Advisory Council. The City of Bellevue appoints a non-voting member to the Board. The Huron County Auditor and Huron County Treasurer are responsible for fiscal control of the resources of the District which are maintained in the funds described below. The District's services include communicable disease investigations, immunization clinic, inspections, public health nursing services and issues health-related licenses and permits.

The District participates in the Public Entities Pool of Ohio public entity risk pool. This organization provides property and casualty coverages for its members. Note 8 to the financial statements provide additional information for the entity.

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, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the fiduciary fund which are 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 to expenditure for specified purposes. The District had the following significant Special Revenue Funds:

Reproductive Health Fund This fund receives a federal grant and local monies to improve the overall health and well-being of women and men by promoting health lifestyles and encouraging the establishment of a reproductive life plan.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Public Health Infrastructure Fund This fund receives state and federal grant monies to support and enhance local public health infrastructure that is critical to public health preparedness and response.

Fiduciary Fund (Agency Fund) Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District distributes these funds as directed by the individual, organization or other government. The District's Agency Fund accounts for the activity of a not-for-profit organization, Huron County Medical Assistance Program (MAP), for which the District serves as the Program's administrative agent.

Basis of Accounting

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 4.

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.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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 – Compliance

Contrary to Ohio law, appropriations exceeded certified resources in the MRC Fund at December 31, 2016.

Also contrary to Ohio law, budgetary expenditures exceeded appropriations in the General and Reproductive Health funds at December 31, 2016.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,828,750	\$2,125,627	\$296,877
Special Revenue	189,232	122,908	(66,324)
Total	\$2,017,982	\$2,248,535	\$230,553

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,828,750	\$2,129,758	(\$301,008)
Special Revenue	207,075	161,123	45,952
Total	\$2,035,825	\$2,290,881	(\$255,056)

Note 5 – Deposits and Investments

As required by the Ohio Revised Code, the Huron 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 6 – Intergovernmental Funding and Property Taxes

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.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the District is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

Note 7 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$21,200 from General Fund advanced to the Reproductive Health Fund (\$13,200) and Public Health Infrastructure Fund (\$8,000) to provide working capital for operations.

Note 8 – Risk Management

Risk Pool Membership

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.

	<u>2016</u>
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.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 \$5,000.

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.

<u>2016 Contributions to PEP</u>
\$ 8,609

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 9 – 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% 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, 2016.

Social Security

Several Board of Health members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Note 10 – 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Huron County Public Health
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – 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.

This page intentionally left blank.



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*

Huron County Public Health
Huron County
180 Milan Avenue
Norwalk, Ohio 44857-1168

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 Huron County Public Health, Huron County, Ohio (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated June 28, 2018 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-002 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-003 and 2016-004.

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 28, 2018

**HURON COUNTY PUBLIC HEALTH
HURON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

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

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

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. We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- General Fund fines, licenses, and permits receipts in the amount of \$130,793 were incorrectly classified as charges for services receipts;
- Special Revenue Fund Type budgeted receipts and budgeted expenditures (appropriations) were increased in the amounts of \$27,879 and \$45,722, respectively, in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Special Revenue Fund Type unassigned fund balance \$21,929 was reclassified to restricted in order to accurately reflect fund balance classification in accordance with Government Accounting Standards Board (GASB) Statement No. 54 (GASB Cod 1800.166-.179); and
- The Medical Assistance Fund, including opening fund balance (\$21,554), receipts (\$40,550), disbursements (\$37,144), and ending fund balance (\$24,960), was reclassified from the Special Revenue Fund Type to an Agency Fund in accordance with the requirements of GASB Statements No. 34 and 54 (GASB Cod 1300.103-.114).

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional insignificant errors were also noted for the year ended December 31, 2016.

To help ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Director of Administrative Services and the Board of Health, to help identify and correct errors and omissions. The Director of Administrative Services can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

FINDING NUMBER 2016-002

Significant Deficiency – Subsidiary Account Reconciliations

An internal control structure should oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective internal controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes, and take corrective action. A proper internal control structure should include an accounting system over subsidiary accounts and a routine reconciliation between the subsidiary systems and the general accounting system.

The District maintains several subsidiary systems to record revenue that provide a more detailed accounting of financial activities. There is no reconciliation being performed between these separate subsidiary systems and the District's main accounting system due to a lack of controls over subsidiary system monitoring.

The lack of reconciliation policies and procedures could result in posting errors and/or irregularities not being detected and corrected by management in a timely manner. Additionally, the lack of a reconciliation process could allow for assets to be misappropriated and go undetected.

To help ensure financial activity of the District is being properly accounted for and reported as well as to help ensure financial activity of the District is being properly monitored, the District should develop policies and procedures to ensure reconciliations between subsidiary accounting systems and the District's main accounting system are performed. This process should include, but is not limited to:

- The Director of Administrative Services, or designated employee(s), reconciling the activity of the various subsidiary accounting systems, including receipts and disbursements (as applicable), to the in-house accounting system each month. Any discrepancies identified should be investigated and immediately corrected and updated in the respective accounting system(s);
- Someone other than person performing reconciliation periodically verify items appearing on the monthly account reconciliation, including, but not limited to deposits in transit; and
- The monthly reconciliations should be reviewed, initialed, and approved. They should also be retained on file for review during audit.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Appropriations (\$15,000) exceeded estimated resources (\$349) by \$14,651 in the MRC Fund at December 31, 2016.

**FINDING NUMBER 2016-003
 (CONTINUED)**

The compliance matter above was not identified and corrected prior to the audit due to deficiencies in the District's internal controls over compliance monitoring. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Director of Administrative Services should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code. Expenditures exceeded appropriations in the following funds at December 31, 2016:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
General Fund	\$ 1,828,750	\$ 2,129,758	\$ (301,008)
Reproductive Health Fund	62,700	70,927	(8,227)

The compliance matters above were not identified and corrected prior to the audit due to deficiencies in the District's internal controls over compliance monitoring.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the District encountering deficit spending. The Director of Administrative Services should not certify the availability of funds and should deny payment requests exceeding appropriations. The Director of Administrative Services may request the Board of Health to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



**HURON COUNTY PUBLIC HEALTH
HURON COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding first reported in 2014. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2016-001 in this report.	The District declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.
2015-002	Significant deficiency for the failure to reconcile in-house accounting records to the fiscal agent's accounting records.	Partially corrected and reissued as part of the management letter.	The District declined the opportunity to respond and therefore did not provide reasoning for the partial correction of this comment.
2015-003	Significant deficiency for the failure to charge proper fees.	Fully corrected	N/A





Dave Yost • Auditor of State

HURON COUNTY PUBLIC HEALTH

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 17, 2018