



Dave Yost • Auditor of State

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY
DECEMBER 31, 2016**

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ERIE COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Erie County General Health District, Erie County, Ohio (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Erie County General Health District, Erie County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Clinical Patient Services, Institutional Nursing Contracts, and Environmental Health Programs funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic 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 basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic 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 basic financial statements or to the basic 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 basic 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 September 18, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

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Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The discussion and analysis of the Erie County General Health District's financial performance provides an overview of the Health District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Health District's financial performance as a whole.

HIGHLIGHTS

Highlights for 2016 are as follows:

Net position increased \$2,356,735 from the prior year.

Approximately 77 percent of the Health District's revenues are program revenues; 33 percent are charges for the services, 25 percent are Medicare and/or Medicaid reimbursements and grants, and 19 percent are capital grants and contributions. The remainder of the Health District's revenues is generally made up of property tax levies and tax related reimbursements (homestead and rollback) and State provided resources (operating subsidy).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Erie County General Health District's financial position.

The statement of net position and the statement of activities provide information about the activities of the Health District as a whole, presenting both an aggregate and a longer-term view of the Health District.

Fund financial statements provide a greater level of detail. These statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the Health District's most significant funds individually and the Health District's non-major funds in a single column. The Health District's major funds are the General Fund and the Clinical Patient Services, Institutional Nursing Contracts, and Environmental Health Programs funds.

REPORTING THE HEALTH DISTRICT AS A WHOLE

The statement of net position and the statement of activities reflect how the Health District did financially during 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the Health District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Health District as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include such items as changes in the Health District's property tax base and the condition of the Health District's capital assets. These factors must be considered when assessing the overall health of the Health District.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

In the statement of net position and the statement of activities, all of the Health District's activities are reflected as governmental activities. The programs and services reported here include general health and health clinic. These services are primarily funded by charges to clients (patients), Medicare and Medicaid reimbursements, and property taxes.

REPORTING THE HEALTH DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Health District's major funds, the General Fund and the Clinical Patient Services, Institutional Nursing Contracts, and Environmental Health Programs funds. While the Health District uses a number of funds to account for its financial transactions, these are the most significant.

The Health District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. All of the Health District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The fund financial statements provide a detailed short-term view of the Health District's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Health District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the Health District's net position for 2016 and 2015.

Table 1 Net Position		Governmental Activities	
	2016	2015	Change
<u>Assets</u>			
Current and Other Assets	\$6,219,442	\$5,523,615	\$695,827
Capital Assets, Net	2,285,504	320,064	1,965,440
Total Assets	8,504,946	5,843,679	2,661,267
<u>Deferred Outflows of Resources</u>			
Pension	1,949,208	543,849	1,405,359

(continued)

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2016	2015	Change
<u>Liabilities</u>			
Current and Other Liabilities	\$332,071	\$397,306	\$65,235
Long-Term Liabilities			
Pension	4,524,833	2,880,436	(1,644,397)
Other Amounts	470,994	403,599	(67,395)
Total Liabilities	<u>5,327,898</u>	<u>3,681,341</u>	<u>(1,646,557)</u>
<u>Deferred Inflows of Resources</u>			
Pension	87,429	50,604	(36,825)
Other Amounts	1,966,425	1,939,916	(26,509)
Total Deferred Inflows of Resources	<u>2,053,854</u>	<u>1,990,520</u>	<u>(63,334)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	2,285,504	320,064	1,965,440
Restricted	86,564	41,355	45,209
Unrestricted	700,334	354,248	346,086
Total Net Position	<u>\$3,072,402</u>	<u>\$715,667</u>	<u>\$2,356,735</u>

The net pension liability is the largest liability reported by the Health District at December 31, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the Health District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund the plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68, requires the net pension liability to equal the Health District's proportionate share of the plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Health District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer as to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the Health District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Health District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the plan's change in net pension liability not accounted for as deferred outflows/inflows.

In addition to the changes related to pension, there were a few other changes of significance from the prior year. The increase in current and other assets was due to an increase in cash on hand as of year end (revenues exceeding expenses for the year) and largely the result of an increase in grant monies received from the Health Center Program Grant and contributions received to construct a detoxification center. The increase in current and other assets is primarily reflected in the increase to unrestricted net position. However, the most significant change is the increase in net capital assets and the net investment in capital assets. In 2016, the Health District took ownership of the building and grounds where the Health District offices and clinics are located. These were previously owned by Erie County and the City of Sandusky, who donated the assets to the Health District.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2 reflects the change in net position for 2016 and 2015.

Table 2
Change in Net Position

	Governmental Activities		Change
	2016	2015	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$3,637,222	\$3,870,168	(\$232,946)
Operating Grants and Contributions	2,693,172	1,867,429	825,743
Capital Grants and Contributions	2,019,760	0	2,019,760
Total Program Revenues	8,350,154	5,737,597	2,612,557
General Revenues			
Property Taxes Levied for General Purposes	1,902,283	1,879,061	23,222
Grants and Entitlements not Restricted to Specific Programs	242,381	306,023	(63,642)
Other	309,025	79,026	229,999
Total General Revenues	2,453,689	2,264,110	189,579
Total Revenues	10,803,843	8,001,707	2,802,136
<u>Program Expenses</u>			
General Health	4,925,556	4,203,601	(721,955)
Health Clinic	3,521,552	2,734,984	(786,568)
Total Expenses	8,447,108	6,938,585	(1,508,523)
Increase in Net Position	2,356,735	1,063,122	1,293,613
Net Position (Deficit) Beginning of Year	715,667	(347,455)	1,063,122
Net Position End of Year	\$3,072,402	\$715,667	\$2,356,735

Approximately 77 percent (72 percent in 2015) of the Health District's revenues are program revenues, primarily charges for the services, Medicare and/or Medicaid reimbursements, and restricted grants. Charges for services decreased moderately due to a reduction in revenues received from Medicaid; however, there was also a significant increase in operating grants for the Health District due to increased funding provided by the Health Center Program Grant. In 2016, however, a large percentage of the Health District's program revenues were capital grants and contributions. The Health District took ownership of the health department complex that was previously owned by other governments. Additionally, the State, Erie County, and the Mental Health and Recovery Board of Erie and Ottawa Counties provided funds to create a detoxification center to be constructed in 2017. The remainder of the Health District's revenues is made up of property tax levies, tax related reimbursements (homestead and rollback), and State provided resources (operating subsidy). The overall change in revenues from the prior year was 35 percent.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Expenses increased approximately 22 percent. The primary cause for this increase was due to costs related to continued expansion of the health clinic along with renovations made to the Health District's buildings and the construction of the water testing lab. Approximately 58 percent of the Health District's expenses are related to providing general health services which includes the women, infants, and children program; provision of nursing services; administration of vital statistics; issuance of various licenses and permits; the 211 referral service; and numerous community and family health programs. The remainder of the Health District's expenses account for the operations of the health clinic. These costs which will vary annually dependent on patients served.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Health	\$4,925,556	\$722,986	\$4,203,601	\$1,053,365
Health Clinic	3,521,552	(626,032)	2,734,984	147,623
	\$8,447,108	\$96,954	\$6,938,585	\$1,200,988

As identified above, 85 percent of the costs of providing general health services were paid for with program revenues; by charges for the services provided to clients (patients) and through reimbursements from Medicare/Medicaid as well as through various grants. In 2016, the entire cost of services provided through the health clinic was paid for through program revenues. Resources received through property tax levies (general revenue) generally makes up balance of the costs for services provided.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The Health District's major governmental funds are the General Fund and the Clinical Patient Services, Institutional Nursing Contracts, and Environmental Health Programs funds.

The General Fund experienced a 24 percent increase in fund balance from the prior year. Revenues were similar to the prior year and expenditures (excluding transfers) more than doubled (primarily contractual services); however, revenues were greater than expenditures.

The Clinical Patient Services Fund had an increase in fund balance from the prior year. Both revenues and expenditures increased by similar amounts, 29 percent and 28 percent, respectively. The increase in fund balance can largely be attributed to a significant increase in grant funding provided by the Health Center Program Grant.

The change in fund balance in the Institutional Nursing Contracts Fund was not significant.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

In 2015, the Environmental Health Programs Fund had a positive fund balance; however, a large decrease in receivables in 2016 which resulted in a deficit fund balance at year end. The deficit is the result of accruals for various liabilities. The General Fund provides transfers to cover deficit balances when cash is needed rather than when accruals occur.

BUDGETARY HIGHLIGHTS

The Health District prepares an annual budget of revenues and expenditures/expenses for all funds of the Health District for use by Health District officials and such other budgetary documents as are required by State statute, including the annual appropriations measure which is effective the first day of January.

The Health District's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, actual expenditures (excluding transfers) were 11 percent lower than the final budget due to conservative budgeting. However, the original budget was significantly less than final budget as the final budget reflects increased appropriations for construction contracts and transfers approved during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Health District's investment in capital assets as of December 31, 2016, was \$2,285,504 (net of accumulated depreciation). The Health District took ownership of the land and buildings that make up the campus of the Health District. Additionally, building improvements were made during the year, while others were reflected as construction in progress. Other notable additions included medical equipment for the clinic. There were no disposals for the year. For further information regarding the Health District's capital assets, refer to Note 8 to the basic financial statements.

Debt - At December 31, 2016, the Health District's outstanding long-term obligations included the net pension liability and the liability for compensated absences (future severance payments). For further information regarding the Health District's long-term obligations, refer to Note 13 to the basic financial statements.

CURRENT ISSUES

The Erie County General Health District continues to advance the quality of life for those we serve. Communities from Erie County and the northwest Ohio region are coming to our health department/health center for various services. These services range from primary care to plumbing permits to water sample analysis.

We are currently in a remarkable paradigm shift. The Health District is continuing to expand. The addition of the Behavioral Health section to our organizational chart will allow us to effectively manage the new Medically Supervised Detoxification Facility. This facility is the first new detox unit in the State of Ohio in recent years. The opioid addiction epidemic has emerged as a priority for response by the Health District. Our response is built on first, financial planning and, second, on strategic planning that will implement and integrate all of our services into a comprehensive delivery cycle.

Erie County General Health District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The environmental challenges facing the Health District have not abated, dwindled, or eased in any fashion. Due to geographic terrain, we receive regional water shed pollutants at an exponential level. The harmful algal blooms (HAB) issue is severe and is threatening our regions last economic threshold. Therefore, through careful planning, the Health District has successfully, and in a timely manner, built the first "regional water response laboratory" here on our campus. This water lab will yield benefits to our staff development, our decisions as municipal leaders, and will enable us to directly communicate to our stakeholders about current water quality data.

One will discern budgetary growth has been achieved through revenue stream development from grants and solicited funding requests for capital projects.

The Erie County General Health District continues to adapt to emerging issues involving our mission statement, for the good of all.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Health District's finances for all those interested in the Health District's financial well being. Questions any of the information provided in this report or requests for additional information should be directed to Joseph Palmucci, CFO, 420 Superior Street, Sandusky, Ohio 44870-1815.

Erie County General Health District
Statement of Net Position
December 31, 2016

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,183,939
Accounts Receivable	83,764
Due from Other Governments	783,894
Prepaid Items	36,457
Materials and Supplies Inventory	55,833
Property Taxes Receivable	2,075,555
Nondepreciable Capital Assets	117,176
Depreciable Capital Assets, Net	2,168,328
 Total Assets	 8,504,946
<u>Deferred Outflows of Resources</u>	
Pension	1,949,208
<u>Liabilities</u>	
Accrued Wages Payable	153,239
Accounts Payable	74,250
Contracts Payable	56,891
Due to Other Governments	36,043
Retainage Payable	11,648
Long-Term Liabilities	
Due Within One Year	119,379
Due in More Than One Year	
Net Pension Liability	4,524,833
Other Amounts Due in More Than One Year	351,615
 Total Liabilities	 5,327,898
<u>Deferred Inflows of Resources</u>	
Property Taxes	1,966,425
Pension	87,429
 Total Deferred Inflows of Resources	 2,053,854
<u>Net Position</u>	
Net Investment in Capital Assets	2,285,504
Other Purposes	86,564
Unrestricted	700,334
 Total Net Position	 \$3,072,402

See Accompanying Notes to the Basic Financial Statements

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Erie County General Health District
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<u>Governmental Activities</u>					
General Health	\$4,925,556	\$1,949,764	\$1,463,506	\$789,300	(\$722,986)
Health Clinic	3,521,552	1,687,458	1,229,666	1,230,460	626,032
Total Governmental Activities	\$8,447,108	\$3,637,222	\$2,693,172	\$2,019,760	(96,954)
<u>General Revenues</u>					
Property Taxes Levied for General Purposes					1,902,283
Grants and Entitlements not Restricted to Specific Programs					242,381
Other					309,025
Total General Revenues					2,453,689
Change in Net Position					2,356,735
Net Position Beginning of Year					715,667
Net Position End of Year					\$3,072,402

See Accompanying Notes to the Basic Financial Statement:

Erie County General Health District
Balance Sheet
Governmental Funds
December 31, 2016

	General	Clinical Patient Services	Institutional Nursing Contracts	Environmental Health Programs
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,824,537	\$350,000	\$0	\$0
Accounts Receivable	0	64,640	829	14,655
Due from Other Governments	121,500	256,390	161,486	0
Prepaid Items	36,457	0	0	0
Materials and Supplies Inventory	0	55,833	0	0
Property Taxes Receivable	2,075,555	0	0	0
Total Assets	\$5,058,049	\$726,863	\$162,315	\$14,655
<u>Liabilities</u>				
Accrued Wages Payable	\$3,452	\$62,372	\$25,452	\$24,560
Accounts Payable	29,514	37,734	3,076	2,254
Contracts Payable	4,578	52,313	0	0
Due to Other Governments	1,261	10,656	3,952	10,583
Retainage Payable	5,835	5,813	0	0
Total Liabilities	44,640	168,888	32,480	37,397
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	1,966,425	0	0	0
Unavailable Revenue	230,630	8,520	68,931	0
Total Deferred Inflows of Resources	2,197,055	8,520	68,931	0
<u>Fund Balance</u>				
Nonspendable	36,457	55,833	0	0
Restricted	0	0	0	0
Committed	0	493,622	60,904	0
Unassigned (Deficit)	2,779,897	0	0	(22,742)
Total Fund Balance (Deficit)	2,816,354	549,455	60,904	(22,742)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$5,058,049	\$726,863	\$162,315	\$14,655

See Accompanying Notes to the Basic Financial Statement:

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$9,402	\$3,183,939
3,640	83,764
244,518	783,894
0	36,457
0	55,833
0	2,075,555
<u>\$257,560</u>	<u>\$6,219,442</u>
\$37,403	\$153,239
1,672	74,250
0	56,891
9,591	36,043
0	11,648
<u>48,666</u>	<u>332,071</u>
0	1,966,425
7,200	315,281
<u>7,200</u>	<u>2,281,706</u>
0	92,290
206,114	206,114
0	554,526
(4,420)	2,752,735
<u>201,694</u>	<u>3,605,665</u>
<u>\$257,560</u>	<u>\$6,219,442</u>

Erie County General Health District
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2016

Total Governmental Fund Balance		\$3,605,665
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,285,504
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	68,931	
Due from Other Governments	137,220	
Delinquent Property Taxes Receivable	109,130	
		315,281
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(470,994)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	1,949,208	
Deferred Inflows - Pension	(87,429)	
Net Pension Liability	(4,524,833)	
		(2,663,054)
Net Position of Governmental Activities		\$3,072,402

See Accompanying Notes to the Basic Financial Statements

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Erie County General Health District
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General	Clinical Patient Services	Institutional Nursing Contracts	Environmental Health Programs
<u>Revenues</u>				
Property Taxes	\$1,910,805	\$0	\$0	\$0
Charges for Services	0	1,687,458	824,032	196,404
Fees, Licenses, and Permits	0	0	0	710,627
Intergovernmental	400,087	1,576,153	28,598	142,274
Other	58,790	101,410	0	111,958
Total Revenues	<u>2,369,682</u>	<u>3,365,021</u>	<u>852,630</u>	<u>1,161,263</u>
<u>Expenditures</u>				
Current:				
General Health				
Salaries	67,359	0	670,903	688,116
Fringe Benefits	13,734	0	212,308	260,055
Travel and Transportation	12,633	0	8,433	40,339
Contractual Services	557,388	0	66,928	198,158
Materials and Supplies	54,633	0	192	83,272
Occupancy and Maintenance	32,511	0	6,804	27,666
Intergovernmental	0	0	0	132,121
Capital Outlay	10,261	0	0	41,287
Other	122	0	749	122
Health Clinic				
Salaries	0	1,685,474	0	0
Fringe Benefits	0	629,011	0	0
Travel and Transportation	0	35,697	0	0
Contractual Services	0	447,615	0	0
Materials and Supplies	0	446,740	0	0
Occupancy and Maintenance	0	90,985	0	0
Capital Outlay	0	178,011	0	0
Other	0	10,622	0	0
Total Expenditures	<u>748,641</u>	<u>3,524,155</u>	<u>966,317</u>	<u>1,471,136</u>
Excess of Revenues Over (Under) Expenditures	<u>1,621,041</u>	<u>(159,134)</u>	<u>(113,687)</u>	<u>(309,873)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	0	289,760	122,721	253,761
Transfers Out	(1,069,674)	0	0	0
Total Other Financing Sources (Uses)	<u>(1,069,674)</u>	<u>289,760</u>	<u>122,721</u>	<u>253,761</u>
Change in Fund Balance	551,367	130,626	9,034	(56,112)
Fund Balance (Deficit) Beginning of Year	<u>2,264,987</u>	<u>418,829</u>	<u>51,870</u>	<u>33,370</u>
Fund Balance (Deficit) End of Year	<u>\$2,816,354</u>	<u>\$549,455</u>	<u>\$60,904</u>	<u>(\$22,742)</u>

See Accompanying Notes to the Basic Financial Statements

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$0	\$1,910,805
15,625	2,723,519
194,541	905,168
1,275,739	3,422,851
<u>36,867</u>	<u>309,025</u>
<u>1,522,772</u>	<u>9,271,368</u>
939,865	2,366,243
374,835	860,932
28,725	90,130
151,617	974,091
17,441	155,538
45,272	112,253
80,313	212,434
0	51,548
51,213	52,206
0	1,685,474
0	629,011
0	35,697
0	447,615
0	446,740
0	90,985
0	178,011
<u>0</u>	<u>10,622</u>
<u>1,689,281</u>	<u>8,399,530</u>
<u>(166,509)</u>	<u>871,838</u>
417,101	1,083,343
<u>(13,669)</u>	<u>(1,083,343)</u>
<u>403,432</u>	<u>0</u>
236,923	871,838
<u>(35,229)</u>	<u>2,733,827</u>
<u>\$201,694</u>	<u>\$3,605,665</u>

Erie County General Health District
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2016

Change in Fund Balance - Total Governmental Funds \$871,838

Amounts reported for governmental activities on the statement of activities are different because of the following

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital Outlay - Non-Depreciable Capital Assets	58,126	
Capital Outlay - Depreciable Capital Assets	281,571	
Capital Contributions	1,669,760	
Depreciation	<u>(44,017)</u>	
		1,965,440

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds

Delinquent Property Taxes	(8,522)	
Charges for Services	8,535	
Intergovernmental	<u>(137,298)</u>	
		(137,285)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (67,395)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (716,720)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows 440,857

Change in Net Position of Governmental Activities \$2,356,735

See Accompanying Notes to the Basic Financial Statement:

Erie County General Health District
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,886,156	\$1,886,156	\$1,910,805	\$24,649
Intergovernmental	406,441	406,441	400,087	(6,354)
Other	20,000	8,000	58,790	50,790
Total Revenues	2,312,597	2,300,597	2,369,682	69,085
<u>Expenditures</u>				
Current:				
General Health				
Salaries	77,122	83,426	65,442	17,984
Fringe Benefits	24,643	25,846	13,895	11,951
Travel and Transportation	11,450	13,918	12,809	1,109
Contractual Services	221,838	604,242	558,413	45,829
Materials and Supplies	30,775	59,435	54,700	4,735
Occupancy and Maintenance	44,000	50,872	42,853	8,019
Capital Outlay	16,400	17,288	10,261	7,027
Other	1,625	1,636	122	1,514
Total Expenditures	427,853	856,663	758,495	98,168
Excess of Revenues Over Expenditures	1,884,744	1,443,934	1,611,187	167,253
<u>Other Financing Uses</u>				
Transfers Out	0	(1,069,674)	(1,069,674)	0
Change in Fund Balance	1,884,744	374,260	541,513	167,253
Fund Balance Beginning of Year	2,283,024	2,283,024	2,283,024	0
Fund Balance End of Year	\$4,167,768	\$2,657,284	\$2,824,537	\$167,253

See Accompanying Notes to the Basic Financial Statement:

Erie County General Health District
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Clinical Patient Services Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Charges for Services	\$2,050,100	\$2,219,256	\$1,922,341	(\$296,915)
Intergovernmental	832,500	1,306,112	1,455,818	149,706
Other	0	35,137	198,995	163,858
Total Revenues	2,882,600	3,560,505	3,577,154	16,649
<u>Expenditures</u>				
Current:				
Health Clinic				
Salaries	1,862,003	1,672,519	1,672,519	0
Fringe Benefits	720,064	636,056	636,056	0
Travel and Transportation	29,300	34,454	34,454	0
Contractual Services	375,143	389,286	389,286	0
Materials and Supplies	405,400	495,386	495,386	0
Occupancy and Maintenance	130,987	99,375	99,375	0
Capital Outlay	19,600	180,811	180,811	0
Other	5,625	9,027	9,027	0
Total Expenditures	3,548,122	3,516,914	3,516,914	0
Excess of Revenues Over (Under) Expenditures	(665,522)	43,591	60,240	16,649
<u>Other Financing Sources</u>				
Transfers In	0	289,760	289,760	0
Change in Fund Balance	(665,522)	333,351	350,000	16,649
Fund Balance Beginning of Year	0	0	0	0
Fund Balance (Deficit) End of Year	(\$665,522)	\$333,351	\$350,000	\$16,649

See Accompanying Notes to the Basic Financial Statement:

Erie County General Health District
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Institutional Nursing Contracts Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services	\$814,000	\$812,352	\$812,352	\$0
Intergovernmental	0	28,598	28,598	0
Total Revenues	814,000	840,950	840,950	0
<u>Expenditures</u>				
Current:				
General Health				
Salaries	715,826	660,212	660,212	0
Fringe Benefits	216,192	214,840	214,840	0
Travel and Transportation	8,600	6,383	6,383	0
Contractual Services	66,796	74,013	74,013	0
Materials and Supplies	1,500	192	192	0
Occupancy and Maintenance	9,771	7,481	7,481	0
Other	500	550	550	0
Total Expenditures	1,019,185	963,671	963,671	0
Excess of Revenues Under Expenditures	(205,185)	(122,721)	(122,721)	0
<u>Other Financing Sources</u>				
Transfers In	0	129,644	122,721	(6,923)
Change in Fund Balance	(205,185)	6,923	0	(6,923)
Fund Balance Beginning of Year	0	0	0	0
Fund Balance (Deficit) End of Year	(\$205,185)	\$6,923	\$0	(\$6,923)

See Accompanying Notes to the Basic Financial Statement:

Erie County General Health District
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Environmental Health Programs Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Charges for Services	\$132,550	\$200,806	\$189,574	(11,232)
Fees, Licenses, and Permits	672,164	940,936	772,197	(168,739)
Intergovernmental	83,545	59,334	146,115	86,781
Other	16,500	94,332	111,958	17,626
Total Revenues	904,759	1,295,408	1,219,844	(75,564)
<u>Expenditures</u>				
Current:				
General Health				
Salaries	689,389	685,907	685,907	0
Fringe Benefits	258,299	264,513	264,513	0
Travel and Transportation	44,950	40,455	40,455	0
Contractual Services	38,875	197,408	197,408	0
Materials and Supplies	29,125	83,393	83,393	0
Occupancy and Maintenance	38,934	30,351	30,351	0
Intergovernmental	139,400	130,169	130,169	0
Capital Outlay	1,000	41,287	41,287	0
Other	1,750	122	122	0
Total Expenditures	1,241,722	1,473,605	1,473,605	0
Excess of Revenues Under Expenditures	(336,963)	(178,197)	(253,761)	(75,564)
<u>Other Financing Sources</u>				
Transfers In	0	253,761	253,761	0
Change in Fund Balance	(336,963)	75,564	0	(75,564)
Fund Balance Beginning of Year	0	0	0	0
Fund Balance (Deficit) End of Year	(\$336,963)	\$75,564	\$0	(\$75,564)

See Accompanying Notes to the Basic Financial Statement:

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**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - DESCRIPTION OF THE ERIE COUNTY GENERAL HEALTH DISTRICT AND THE REPORTING ENTITY

A. The Health District

The constitution and laws of the State of Ohio establish the rights and privileges of the Erie County General Health District, Erie County (the Health District), as a body corporate and politic. The Health District is a combined Board of Health as defined by Section 3709.07 of the Ohio Revised Code. The Health District is the union of the city health departments of Sandusky, Huron, and Vermilion and the Erie County Board of Health. The Health District operates under the direction of an eleven-member appointed Board of Health with five members appointed by the City of Sandusky, one member each appointed by the cities of Huron and Vermilion, three members appointed by the District Advisory Council, and one member appointed by the District Licensing Council. The Health District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, and issuing health-related licenses and permits.

B. Reporting Entity

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Erie County General Health District consists of all funds, departments, boards, and agencies that are not legally separate from the Health District.

Component units are legally separate organizations for which the Health District is financially accountable. The Health District is financially accountable for an organization if the Health District appoints a voting majority of the organization's governing board and (1) the Health District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Health District is legally entitled to or can otherwise access the organization's resources; the Health District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the Health District in that the Health District approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Health District. There were no component units of the Health District in 2016.

The Health District participates in a public entity shared risk pool, the Public Entities Pool of Ohio, which is presented in Note 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Erie County General Health District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Health District's accounting policies.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The Health District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Health District as a whole.

The statement of net position presents the financial condition of the governmental activities of the Health District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Health District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Health District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Health District.

Fund Financial Statements

During the year, the Health District segregates transactions related to certain Health District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Health District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. 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. All of the Health District's funds are governmental funds.

Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the Health District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Clinical Patient Services Fund - This fund accounts for state grants and patient fees committed for personnel costs, supplies, and contracts to run the clinic.

Institutional Nursing Contracts Fund - This fund accounts for fees committed to providing nursing services to various entities throughout the County.

Environmental Health Programs Fund - This fund accounts for fees, licenses, and permits restricted to providing healthy environmental conditions.

The other governmental funds of the Health District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Health District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Health District, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the Health District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Health District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Health District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Health District, deferred outflows of resources consist of pension which is explained in Note 10 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Health District, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Health District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 10 to the basic financial statements.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations measure, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Health may appropriate. The appropriations measure is the Board of Health's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Health. The level of control has been established by the Board of Health at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the Chief Financial Officer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Chief Financial Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the Board of Health prior to year end.

The appropriations measure is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations measure for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Health during the year.

F. Cash and Investments

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Capital Assets

All of the Health District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The Health District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	40 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the Health District will compensate the employees for the benefits through paid time off or some other means. The Health District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Health District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Health District's termination policy. The Health District records a liability for accumulated unused sick leave for all employees with ten or more years of service with the Health District.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Health District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Health District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts 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 committed classification includes amounts that can be used only for the specific purposes imposed by a formal action of the Board of Health. The committed amounts cannot be used for any other purpose unless the Board of Health removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned classification are intended to be used by the Board of Health for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Health. The Board of Health has authorized the Chief Financial Officer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Health District first applies restricted resources when an expenditure is 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 can be used.

N. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the fiduciary net position have been determined on the same basis as reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the Health District has implemented Governmental Accounting Standards Board (GASB) Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the Health District's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Health District's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2016, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Major Special Revenue Funds	
Environmental Health Programs	\$22,742
Nonmajor Special Revenue Funds	
Child and Family Health	869
Bureau Children Medical Handicaps	747
Vital Statistics	332
Injury Prevention	1,115
Community Health	1,357

The deficit fund balances in the special revenue funds resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2016.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Original Budget			
Clinical Patient Services	2,882,600	3,548,122	665,522
Institutional Nursing Contracts	814,000	1,019,185	205,185
Environmental Health Programs	904,759	1,241,722	336,963
Final Budget			
Erie County 911	15,375	21,000	5,625

Although the Health District maintains multiple funds for which its Board of Health approves appropriations, the Health District presents combined appropriation data to the County Commissioners. As such, the Health District has limited its review of budgetary compliance to the level presented to the County Commissioners. Budgetary compliance is to be maintained at the level of appropriation as approved by the Board of Health and will work towards ensuring appropriate budgetary review. The Chief Financial Officer will review appropriations to ensure they are within amounts available.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund and the Clinical Patient Services; Institutional Nursing Contracts; and Environmental Health Programs special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

	<u>General</u>	<u>Clinical Patient Services</u>	<u>Institutional Nursing Contracts</u>	<u>Environmental Health Programs</u>
GAAP Basis	\$551,367	\$130,626	\$9,034	(\$56,112)
<u>Increases (Decreases) Due To</u>				
Revenue Accruals:				
Accrued 2015, Received in Cash 2016	0	524,643	81,704	73,236
Accrued 2016, Not Yet Received in Cash	0	(312,510)	(93,384)	(14,655)
Expenditure Accruals:				
Accrued 2015, Paid in Cash 2016	(44,152)	(210,244)	(29,834)	(39,866)
Accrued 2016, Not Yet Paid in Cash	44,640	168,888	32,480	37,397
Prepaid Items	(10,342)	0	0	0
Materials and Supplies Inventory	0	48,597	0	0
Budget Basis	<u>\$541,513</u>	<u>\$350,000</u>	<u>\$0</u>	<u>\$0</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2016, consisted of accounts (billings for health services); intergovernmental receivables arising from grants, entitlements, and shared revenues; and property taxes. All receivables are considered collectible in full and within one year, except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$121,500
Clinical Patient Services	
HRSA Grant	229,847
Medicaid	26,543
Total Clinical Patient Services	<u>256,390</u>

(continued)

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 6 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Institutional Nursing Contracts	
School Contracts	\$73,247
Jail Contracts	88,239
Total Institutional Nursing Contracts	161,486
Total Major Funds	539,376
Nonmajor Funds	
Women, Infants, and Children	
WIC Administration	143,947
Child and Family Health	
CFHSP Grant	1,044
Immunization Action Plan	
Immunization Action Plan Grant	7,713
HUD Lead	
HUD Lead Grant	32,698
Public Health Emergency Planning and Response	
Public Health Emergency Planning and Response Grant	22,678
Injury Prevention	
Injury Prevention Grant	1,459
Environmental Health	
Safe Communities 2017	9,793
Drug Free Communities	
Drug Free Communities Grant	25,186
Total Nonmajor Funds	244,518
Total Governmental Activities	\$783,894

NOTE 7- PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Real property tax revenues received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 7- PROPERTY TAXES (continued)

Public utility property tax revenues received in 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2014, were levied after October 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the Erie County General Health District. The County Auditor periodically remits to the Health District its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources-property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on a modified accrual basis, the revenue has been reported as deferred inflows of resources-unavailable revenue.

The full tax rate for all Health District operations for the year ended December 31, 2016, was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2016 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$128,235,400
Residential	1,513,134,820
Commercial	389,213,090
Industrial	44,708,330
Public Utility Property	
Real	11,429,090
Personal	82,186,270
Total Assessed Value	\$2,168,907,000

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Governmental Activities:				
Non-Depreciable Capital Assets				
Land	\$0	\$59,050	\$0	\$59,050
Construction in Progress	0	58,126	0	58,126
Total Non-Depreciable Capital Assets	0	117,176	0	117,176
Depreciable Capital Assets				
Land Improvements	0	38,460	0	38,460
Buildings and Improvements	0	1,718,121	0	1,718,121
Furniture, Fixtures, and Equipment	440,961	135,700	0	576,661
Vehicles	29,514	0	0	29,514
Total Depreciable Capital Assets	470,475	1,892,281	0	2,362,756
Less Accumulated Depreciation for				
Furniture, Fixtures, and Equipment	(150,411)	(38,614)	0	(189,025)
Vehicles	0	(5,403)	0	(5,403)
Total Accumulated Depreciation	(150,411)	(44,017)	0	(194,428)
Total Depreciable Capital Assets, Net	320,064	1,848,264	0	2,168,328
Governmental Activities Capital Assets, Net	\$320,064	\$1,965,440	\$0	\$2,285,504

The Health District accepted a contribution of capital assets from outside sources, with a fair value of \$1,669,760, during 2016.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Health	\$11,852
Health Clinic	32,165
Total Depreciation Expense - Governmental Activities	<u>\$44,017</u>

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 9 - RISK MANAGEMENT

The Health District participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The Health District pays an annual premium to the pool for various types of insurance coverage. Members agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2016, the Health District had the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Building and Contents Liability	\$5,276,985	\$0
General Liability	3,000,000	1,000
Medical Malpractice Liability	3,000,000	1,000
Automobile Liability	3,000,000	0
Wrongful Acts	3,000,000	1,000

There has been no significant reduction in insurance coverage from 2015 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Health District's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Health District's obligation for this liability to annually required payments. The Health District cannot control benefit terms or the manner in which pensions are financed; however, the Health District does receive the benefit of employees' services in exchange for compensation, including pension.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plan to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Health District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Health District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information including requirements for reduced and unreduced benefits).

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for twelve months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer			
Pension	12.0 %	16.1 %	16.1 %
Postemployment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Health District's contractually required contribution was \$440,857 for 2016. Of this amount, \$21,454 is reported as an intergovernmental payable.

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health District's proportion of the net pension liability was based on the Health District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

	<u>OPERS</u>
Proportion of the Net Pension Liability	
Current Measurement Date	0.02612300%
Prior Measurement Date	0.02388200%
Change in Proportionate Share	0.00224100%
Proportionate Share of the Net Pension Liability	\$4,524,833
Pension Expense	\$716,720

At December 31, 2016, the Health District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	<u>OPERS</u>
Deferred Outflows of Resources	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$1,330,018
Changes in Proportion and Differences Between Health District Contributions and the Proportionate Share of Contributions	178,333
Health District Contributions Subsequent to the Measurement Date	440,857
Total Deferred Outflows of Resources	\$1,949,208
Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	\$87,429

\$440,857 reported as deferred outflows of resources related to pension resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>OPERS</u>
Year Ending December 31,	
2017	\$373,171
2018	394,438
2019	352,331
2020	300,982
Total	\$1,420,922

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013, Retirees	3 percent simple
Post-January 7, 2013, Retirees	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefits portfolio includes the investment assets of the traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan, and the VEBA Trust. Within the Defined Benefits portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefits portfolio was .4 percent for 2015.

The allocation of investment assets with the Defined Benefits portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plan. The table below displays the board approved asset allocation policy for 2015 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Health District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent as well as what the Health District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Health District's Proportionate Share of the Net Pension Liability	\$7,209,164	\$4,524,833	\$2,260,684

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Health District's net pension liability is expected to be significant.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund 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 combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees and the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both the traditional pension and combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

Substantially all of the Health District's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$73,476, \$65,026, and \$58,559, respectively. For 2016, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from personnel policies and State laws.

Health District employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave, not to exceed three years of accumulated leave, upon termination.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 12 - COMPENSATED ABSENCES (continued)

Sick leave is earned at four and six-tenths hours per pay period as defined by Health District personnel policies. Any employee with the Health District, who elects to retire, is entitled to receive one-fourth of the value of their accumulated unused sick leave up to a maximum of two hundred forty hours.

NOTE 13 - LONG-TERM OBLIGATIONS

The Health District's long-term obligations activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>					
Net Pension Liability	\$2,880,436	\$1,644,397	\$0	\$4,524,833	\$0
Compensated Absences Payable	403,599	79,418	12,023	470,994	119,379
Total Long-Term Obligations	<u>\$3,284,035</u>	<u>\$1,723,815</u>	<u>\$12,023</u>	<u>\$4,995,827</u>	<u>\$119,379</u>

The Health District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, See Note 10 to the basic financial statements.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

NOTE 14 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Health District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Clinical Patient Services	Institutional Nursing Contracts	Environmental Health Programs
Nonspendable for:				
Prepaid Items	\$36,457	\$0	\$0	\$0
Materials and Supplies Inventory	0	55,833	0	0
Total Nonspendable	<u>36,427</u>	<u>55,833</u>	<u>0</u>	<u>0</u>

(continued)

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 14 - FUND BALANCE (continued)

Fund Balance	General	Clinical Patient Services	Institutional Nursing Contracts	Environmental Health Programs
Committed for:				
Clinical Patient Services	\$0	\$493,622	\$0	\$0
Institutional Nursing Contracts	0	0	60,904	0
Total Committed	0	493,622	60,904	0
Unassigned (Deficit)	2,779,897	0	0	(22,742)
Total Fund Balance (Deficit)	\$2,816,354	\$549,455	\$60,904	(\$22,742)

Fund Balance	Other Governmental
Restricted for:	
Erie County 211	\$9,402
Drug Free Communities	20,851
HUD Lead	25,744
Immunization Action Plan	6,728
Public Health Emergency Planning and Response	18,927
Women, Infants, and Children	124,462
Total Restricted	206,114
Unassigned (Deficit)	(4,420)
Total Fund Balance (Deficit)	\$201,694

NOTE 15 - INTERFUND TRANSFERS

During 2016, the General Fund made transfers to the Clinical Patient Services, Institutional Nursing Contracts, and Environmental Health Programs special revenue funds and other governmental funds, in the amount of \$289,760, \$122,721, \$253,761, and \$403,432, respectively, to subsidize various programs or activities in those funds. Other governmental funds made transfers to other governmental funds, in the amount \$13,669, to subsidize various programs or activities in other funds.

**Erie County General Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
(continued)**

NOTE 16 - PUBLIC ENTITY SHARED RISK POOL

The Public Entities Pool of Ohio (Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a sixty day written notice prior to their annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6500 Taylor Road, Blacklick, Ohio 43004.

NOTE 17 - CONTINGENT LIABILITIES

A. Litigation

The Erie County General Health District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The Health District management does not believe that the ultimate disposition of the legal proceedings will have a material effect on the financial condition of the Health District.

B. Federal and State Grants

For the period January 1, 2016, to December 31, 2016, the Health District received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Health District believes such disallowances, if any, would be immaterial.

Erie County General Health District
 Required Supplementary Information
 Schedule of the Health District's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Years (1)

	2016	2015	2014
Health District's Proportion of the Net Pension Liability	0.02612300%	0.02388200%	0.02388200%
Health District's Proportionate Share of the Net Pension Liability	\$4,524,833	\$2,880,436	\$2,815,377
Health District's Covered Employee Payroll	\$3,251,314	\$2,927,925	\$2,581,624
Health District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	139.17%	98.38%	109.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

Amounts presented as of the Health District's measurement date which is the prior year end.

Erie County General Health District
 Required Supplementary Information
 Schedule of the Health District's Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$440,857	\$390,158	\$351,351	\$335,611
Contributions in Relation to the Contractually Required Contribution	<u>(440,857)</u>	<u>(390,158)</u>	<u>(351,351)</u>	<u>(335,611)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Health District Covered Employee Payroll	\$3,673,807	\$3,251,314	\$2,927,925	\$2,581,624
Contributions as a Percentage of Covered Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the Health District's
 measurement date which is the prior
 year end.

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**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR Pass Through Grantor 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	2210011WA0916 2210011WA1017	\$491,446 143,947
Total U.S. Department of Agriculture			635,393
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Public Safety</i>			
<u>Highway Safety Cluster:</u>			
State and Community Highway Safety	20.600	SC20162200000041300 SC20172200000057400	25,742 7,200
Total U.S. Department of Transportation			32,942
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Direct Program</i>			
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	N/A	32,699
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Programs</i>			
Drug-Free Communities Support Program Grants	93.276	N/A	118,121
<u>Health Centers Cluster:</u>			
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	1,034,338
Rural Health Research Centers	93.155	N/A	66,616
<i>Passed Through Ohio Department of Health</i>			
Preventive Health and Health Services Block Grant Funded Solely With Prevention and Public Health Funds	93.758	2210014IP0316	77,000
National State Based Tobacco Control Programs	93.305	2210014TU0117	2,593
Maternal and Child Health Services Block Grant to the States	93.994	2210011MC0916 2210011MP0117	39,010 1,044
Total Maternal and Child Health Services Block Grant to the States			40,054
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	2210012PH0716 2210012PH0817	34,027 43,911
Total Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness Aligned Cooperative Agreements			77,938
Family Planning Services	93.217	02210011RH0516 02210011RH0617	12,553 23,532
Total Family Planning Services			36,085
Total U.S. Department of Health and Human Services			1,452,745
Total Expenditures of Federal Awards			\$2,153,779

The accompanying notes are an integral part of this schedule.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Erie County General Health District (the District) under programs of the federal government for the year ended December 31, 2016. 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 or changes in net 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support the federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



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

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

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 governmental activities, each major fund, and the aggregate remaining fund information of Erie County General Health District, Erie County, Ohio (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 18, 2017.

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 and questioned costs that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017



Dave Yost • Auditor of State

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

Erie County General Health District
Erie County
420 Superior Street
Sandusky, Ohio 44870-1815

To the Members of the Board:

Report on Compliance for the Major Federal Program

We have audited Erie County General Health District, Erie County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs 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 programs.

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, Erie County General Health District 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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 compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified 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, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2016-002.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Erie County General Health District
Erie County
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
Page 3

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

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**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
DECEMBER 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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?	Yes
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Program (list):	Health Centers Cluster – CFDA # 93.224
(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

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

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Chief Financial Officer and the Board of Health and is essential to ensure the information provided to the readers of the basic financial statements is complete and accurate. We identified the following error requiring adjustment to the basic financial statements for the year ended December 31, 2016:

Environmental Health Programs Fund intergovernmental receipts in the amount of \$121,846 were incorrectly classified as other revenue.

Additional insignificant errors were also noted for the year ended December 31, 2016. These errors were not identified and corrected prior to the District preparing its basic financial statements due to deficiencies in the District’s internal controls over financial statement monitoring. The accompanying basic financial statements, and where applicable, the District’s accounting records have been adjusted to reflect the change noted above.

To help ensure the District’s basic financial statements and notes to the basic financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the basic financial statements and notes to the basic financial statements by the Chief Financial Officer and Board of Health, to identify and correct errors and omissions.

Officials’ Response:

The Chief Financial Officer will work with the GAAP conversion team to review financial statements to prevent reporting errors.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2016-002		
CFDA Title and Number	Health Centers Cluster: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) – CFDA # 93.224		
Federal Award Identification Number / Year	H80CS28350 / 2016		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	N/A		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

**FINDING 2016-002
(CONTINUED)**

Program Income – Noncompliance / Significant Deficiency / Questioned Cost

42 CFR 51c.303(f) requires the District to have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient's ability to pay.

Additionally, **42 CFR 51c.303(g)(2)** requires the District to secure from patients payments for services in accordance with the schedule of fees and discounts required by paragraph (f) of this section.

We identified an instance in which a discount in the amount of \$194 was applied to a patient's bill for services performed; however, no documentation was retained in the patient's file to support income verification had been performed to support this discount. Known questioned costs of \$194 project to a questioned cost greater than \$25,000.

This error occurred due to deficiencies in controls and monitoring of income verification. The failure to retain supporting documentation results in the inability to determine if the appropriate discount has been applied for the service provided in accordance with the District's schedule of discounts.

We recommend the District evaluate its current system of controls in order to determine if the likely cause of the error was related to a deficiency in design of internal controls or indicative of additional training required for staff responsible for performing income verification.

Officials' Response:

The District has performed a review of the existing internal control procedures and determined the design of control procedures is sufficient and believes the error arose due to a staff member not following the existing procedure. The District has evaluated staffing and provided additional instruction regarding the appropriate documentation to be retained. Additionally the District will implement an internal review process that will include examination of patient files to ensure appropriate documentation is being retained.

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR 200.511(b)
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness for the failure to properly classify charges for service receipts and original budgeted estimated revenues.	Corrective action taken and finding is fully corrected.	N/A
2015-002	2 CFR, Part 225, Appendix B for the failure to maintain required personnel activity reports or equivalent documentation.	Corrective action taken and finding is fully corrected.	N/A

**ERIE COUNTY GENERAL HEALTH DISTRICT
ERIE COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Chief Financial Officer will work with the GAAP conversion team to review financial statements to prevent reporting errors.	January 1, 2017	Joseph Palmucci, Chief Financial Officer
2016-002	The District has provided additional instruction regarding the appropriate documentation to be retained and will implement an internal review process that will include examination of patient files to ensure appropriate documentation is being retained.	October 1, 2017	Clerical Program Manager

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ERIE COUNTY GENERAL HEALTH DISTRICT

ERIE 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
SEPTEMBER 28, 2017**