



Dave Yost • Auditor of State

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Defiance County General Health District
Defiance County
1300 East Second Street, Suite 100
Defiance, Ohio 43512-2484

To the Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Defiance County General Health District, Defiance County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Defiance County General Health District, Defiance County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 13, 2018

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$694,410		\$694,410
Charges for Services	139,740	\$2,315	142,055
Fines, Licenses and Permits		132,439	132,439
Intergovernmental	121,424	511,906	633,330
Reimbursements	56,860		56,860
Miscellaneous	8,587	650	9,237
<i>Total Cash Receipts</i>	<u>1,021,021</u>	<u>647,310</u>	<u>1,668,331</u>
Cash Disbursements			
Current:			
Health:			
Salaries	551,026	309,376	860,402
Supplies	9,749	24,606	34,355
Equipment/Repairs	31,867		31,867
Contract Services	93,776	16,638	110,414
Telephone	6,698	3,352	10,050
Travel	9,934	10,186	20,120
Advertising	587		587
Rent	58,711	37,733	96,444
FICA	258		258
Insurance	151,645	98,167	249,812
Public Employees Retirement	74,081	43,224	117,305
Remittances to State	53,261	13,191	66,452
Settlement Deductions	10,115		10,115
Other	9,582	162,436	172,018
<i>Total Cash Disbursements</i>	<u>1,061,290</u>	<u>718,909</u>	<u>1,780,199</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(40,269)</u>	<u>(71,599)</u>	<u>(111,868)</u>
Other Financing Receipts (Disbursements)			
Transfers In		79,430	79,430
Transfers Out	(79,430)		(79,430)
Advances In	23,500	25,450	48,950
Advances Out	(25,450)	(23,500)	(48,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(81,380)</u>	<u>81,380</u>	
<i>Net Change in Fund Cash Balances</i>	<u>(121,649)</u>	<u>9,781</u>	<u>(111,868)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,053,504</u>	<u>71,664</u>	<u>1,125,168</u>
Fund Cash Balances, December 31			
Restricted		81,445	81,445
Committed	28,551		28,551
Assigned	231,015		231,015
Unassigned	672,289		672,289
<i>Fund Cash Balances, December 31</i>	<u>\$931,855</u>	<u>\$81,445</u>	<u>\$1,013,300</u>

The notes to the financial statements are an integral part of this statement

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Defiance County General Health District, Defiance County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include recording of vital statistics, investigations of food service facilities, water wells, sewers, campgrounds, swimming pools, immunization clinics, inspections, and they act upon various complaints made to the District Board of Health concerning the health and welfare of the County.

Jointly Governed Organization and Public Entity Risk Pool

The District participates in the Public Health Services Council of Ohio, a jointly governed organization, and the Public Entities Pool of Ohio, a public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Basis of Accounting

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

These statements include adequate disclosure of material materials, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$949,700	\$1,044,521	\$94,821
Special Revenue	718,577	752,190	33,613
Total	\$1,668,277	\$1,796,711	\$128,434

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,171,801	\$1,139,939	\$31,862
Special Revenue	806,102	768,640	37,462
Total	\$1,977,903	\$1,908,579	\$69,324

The Health Termination Fund is legally budgeted as a separate Special Revenue Fund; however, this fund is considered part of the General Fund for financial reporting purposes.

Note 4 – Deposits and Investments

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

Note 5 – Property Taxes

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

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

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District. The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$694,410 in 2017. The financial statements present these amounts as property taxes.

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

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

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

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

<u>2017 Contributions to PEP</u> \$7,787

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

Note 7 – Jointly Governed Organization

At the July 10, 2017 Board meeting, the District's Board approved the agreement to establish a regional council of governments by and for the Boards of Health in Ohio and referred to as the Public Health Services Council of Ohio (the Council). The Council commenced on August 1, 2017 and is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code formed to coordinate the powers and duties of the member Boards to better serve and benefit public health in each of the Council's counties. The Council is made up of seven local member Boards of Health in Defiance, Fulton, Henry, Paulding, Putnam, Williams, and Wood Counties. The Council is governed by a Board of Directors consisting of the Health Commissioner (or appointed designee) from each of the participating Boards of Health. Each member County Board may cast a single vote on any Council meeting business that affects the services provided for the member Boards. Each member Board provides resources to the Council based on a membership fee and any participating County can individually elect to purchase services from the Council. The Board of Directors exercise total control over the operation of the Council including budgeting, contracting, purchasing, and designating management. The Council has retained the Mid East Ohio Regional Council (MEORC) to perform fiscal responsibilities for the Council. The District has no ongoing financial interest or responsibility for the Council. The District did not make any disbursements to the Council during 2017. Financial information can be obtained from Cathy Henthorn, Director of Financial Operations of MEORC, 1 Avalon Road, Mount Vernon, Ohio 43050.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribed contribution rates. OPERS members contributed 10 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental funds are presented below:

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
Restricted for			
Health Programs		\$17,876	\$17,876
Environmental Programs		62,591	62,591
Emergency Preparedness Programs		978	978
<i>Total Restricted</i>		<u>81,445</u>	<u>81,445</u>
Committed to			
Retirement Payments	\$28,551		28,551
Assigned to			
Subsequent Year Appropriations	231,015		231,015
Unassigned	672,289		672,289
<i>Total Fund Balances</i>	<u>\$931,855</u>	<u>\$81,445</u>	<u>\$1,013,300</u>

Note 11 – Contingent Liabilities

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

Note 12 – Interfund Transactions

- A. Advances-in/advances-out consisted of the following at December 31, 2017 as reported on the financial statements:

	Amount
<u>Advances from the General Fund to:</u>	
Public Health Emergency Preparedness (PHEP) Fund	\$4,000
Women, Infants, and Children (WIC) Fund	16,000
Moms Quit for Two Fund	2,000
Safe Communities Fund	3,450
	<u>25,450</u>
<u>Advances to the General Fund from:</u>	
Immunization Action Plan (IAP) Fund	7,500
Women, Infants, and Children (WIC) Fund	16,000
	<u>23,500</u>
Total Advances	<u>\$48,950</u>

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Current year advances were from the General Fund to various funds to subsidize operations during the year. The advance from the IAP Fund was made in order to repay advances outstanding in the prior year. The advance from the WIC Fund was made in order to repay advances made during the current year.

- B.** Transfers-in/transfers-out consisted of the following at December 31, 2017 as reported on the financial statements:

	<u>Amount</u>
<u>Transfers from the General Fund to:</u>	
Medical Reserve Corps Fund	\$1,500
Food Service Fund	5,930
Private Water Fund	30,000
Swimming Pools Fund	1,000
Sewage Systems Fund	40,000
Manufactured Home Parks & Campgrounds Fund	<u>1,000</u>
 Total Transfers	 <u><u>\$79,430</u></u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$699,710		\$699,710
Charges for Services	147,740		147,740
Fines, Licenses and Permits		\$112,238	112,238
Intergovernmental	160,230	426,128	586,358
Miscellaneous	7,905	600	8,505
<i>Total Cash Receipts</i>	<u>1,015,585</u>	<u>538,966</u>	<u>1,554,551</u>
Cash Disbursements			
Current:			
Health:			
Salaries	512,742	296,307	809,049
Supplies	10,657	8,268	18,925
Equipment/Repairs	9,857		9,857
Contract Services	61,677	20,961	82,638
Telephone	6,069	2,195	8,264
Travel	16,186	17,310	33,496
Advertising	616		616
Rent	57,868	37,269	95,137
FICA	223		223
Insurance	120,618	63,510	184,128
Public Employees Retirement	68,758	41,192	109,950
Remittances to State	54,548	13,160	67,708
Settlement Deductions	7,357		7,357
Other	18,980	105,960	124,940
<i>Total Cash Disbursements</i>	<u>946,156</u>	<u>606,132</u>	<u>1,552,288</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>69,429</u>	<u>(67,166)</u>	<u>2,263</u>
Other Financing Receipts (Disbursements)			
Transfers In	43,597	61,250	104,847
Transfers Out	(104,847)		(104,847)
Advances In	2,000	13,500	15,500
Advances Out	(13,500)	(2,000)	(15,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(72,750)</u>	<u>72,750</u>	
<i>Net Change in Fund Cash Balances</i>	<u>(3,321)</u>	<u>5,584</u>	<u>2,263</u>
<i>Fund Cash Balances, January 1</i>	<u>1,056,825</u>	<u>66,080</u>	<u>1,122,905</u>
Fund Cash Balances, December 31			
Restricted		71,664	71,664
Committed	54,782		54,782
Assigned	222,101		222,101
Unassigned	776,621		776,621
<i>Fund Cash Balances, December 31</i>	<u>\$1,053,504</u>	<u>\$71,664</u>	<u>\$1,125,168</u>

The notes to the financial statements are an integral part of this statement.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Defiance County General Health District, Defiance County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include recording of vital statistics, investigations of food service facilities, water wells, sewers, campgrounds, swimming pools, immunization clinics, inspections, and they act upon various complaints made to the District Board of Health concerning the health and welfare of the County.

Public Entity Risk Pool

The District participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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

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

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

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

Basis of Accounting

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

These statements include adequate disclosure of material materials, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

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

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$942,910	\$1,017,570	\$74,660
Special Revenue	596,886	657,328	60,442
Total	\$1,539,796	\$1,674,898	\$135,102

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,123,630	\$1,049,744	\$73,886
Special Revenue	666,034	622,891	43,143
Total	\$1,789,664	\$1,672,635	\$117,029

The Health Termination Fund is legally budgeted as a separate Special Revenue Fund; however, this fund is considered part of the General Fund for financial reporting purposes.

Note 4 – Deposits and Investments

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

Note 5 – Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District. The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$699,710 in 2016. The financial statements present these amounts as property taxes.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 – Risk Management

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>2016 Contributions to PEP</u> \$6,739

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental funds are presented below:

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
Restricted for			
Health Programs		\$43,515	\$43,515
Environmental Programs		18,266	18,266
Emergency Preparedness Programs		9,883	9,883
<i>Total Restricted</i>		<u>71,664</u>	<u>71,664</u>
Committed to			
Retirement Payments	\$54,782		54,782
Assigned to			
Subsequent Year Appropriations	222,101		222,101
Unassigned	776,621		776,621
<i>Total Fund Balances</i>	<u>\$1,053,504</u>	<u>\$71,664</u>	<u>\$1,125,168</u>

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Contingent Liabilities

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

Note 11 – Interfund Transactions

A. Advances-in/advances-out consisted of the following at December 31, 2016 as reported on the financial statements:

	<u>Amount</u>
<u>Advances from the General Fund to:</u>	
Children and Family Health Services (CFHS) Fund	\$6,500
Manufactured Home Parks and Campgrounds Fund	2,000
Safe Communities Fund	5,000
	13,500
 <u>Advances to the General Fund from:</u>	
Manufactured Home Parks and Campgrounds Fund	2,000
	2,000
Total Advances	\$15,500

Current year advances were from the General Fund to various funds to subsidize operations during the year. The advance from the Trailer Parks and Campgrounds Fund was made in order to repay an advance made during the current year.

B. Transfers-in/transfers-out consisted of the following at December 31, 2016 as reported on the financial statements:

	<u>Amount</u>
<u>Transfers from the General Fund to:</u>	
Health Termination Fund (reported within the General Fund)	\$43,597
Private Water Fund	27,500
Swimming Pools Fund	750
Sewage Systems Fund	30,000
Manufactured Home Parks & Campgrounds Fund	3,000
	104,847
 <u>Transfers to the General Fund from:</u>	
Health Termination Fund (reported within the General Fund)	43,597
	43,597
Total Transfers	\$148,444

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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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

Defiance County General Health District
Defiance County
1300 East Second Street, Suite 100
Defiance, Ohio 43512-2484

To the Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Defiance County General Health District, Defiance County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 13, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 13, 2018

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Significant Deficiency

Monitoring of Financial Statements

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

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity.

In 2016, actual receipts in the budgetary note to the financial statements were overstated in the General Fund and understated in the Special Revenue Fund by \$43,612.

This error was the result of inadequate policies and procedures in reviewing the notes to the financial statements. As a result, the District's notes to the financial statements did not correctly reflect the financial activity of the District. The accompanying notes to the financial statements have been adjusted to correct this and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the District's notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions.

Officials' Response:

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



Defiance County General Health District
1300 East Second Street, Suite 100, Defiance, Ohio 43512
Phone 419-784-3818 Fax 419-782-4979
www.defiancecohealth.org

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness for not properly classifying the District's General Fund balance in accordance with GASB Statement. No. 54.	Corrective action taken and finding is fully corrected.	



Dave Yost • Auditor of State

DEFIANCE COUNTY GENERAL HEALTH DISTRICT

DEFIANCE 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, 27 2018**