



Dave Yost • Auditor of State



**OTTAWA COUNTY DISTRICT BOARD OF HEALTH  
OTTAWA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	5
Notes to the Financial Statements - For the Year Ended December 31, 2016 .....	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	12
Notes to the Financial Statements - For the Year Ended December 31, 2015 .....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ottawa County District Board of Health  
Ottawa County  
1856 East Perry Street  
Port Clinton, Ohio 43452-4200

To the Members of the Board:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Ottawa County District Board of Health, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016 and 2015, 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 Ottawa County District Board of Health, Ottawa County, Ohio as of December 31, 2016 and 2015, 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.

***Emphasis of Matter***

As discussed in Note 10 to the 2015 financial statements, the District restated its beginning fund balances for the year ended December 31, 2015 to reclassify two funds to more appropriately reflect the purposes of these funds. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 9, 2018

**This page intentionally left blank.**



**Ottawa County District Board of Health**

*Ottawa County*

*Combined Statement of Receipts, Disbursements,  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Governmental Fund Types*

*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Charges for Services	\$62,550	\$507,398		\$569,948
Fines, Licenses and Permits	52,108	230,443		282,551
Intergovernmental:				
Apportionments	364,000			364,000
Grants	22,772	188,535		211,307
Other	317			317
Miscellaneous	1,461	62,692		64,153
<i>Total Cash Receipts</i>	<u>503,208</u>	<u>989,068</u>		<u>1,492,276</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	209,282	608,588		817,870
Fringe Benefits	74,518	247,199		321,717
Supplies		105,648		105,648
Contracts - Services	70,728	90,804		161,532
Advertising and Printing	124	126		250
Travel	12,538	39,088		51,626
Other Expenses	68,303	41,828		110,131
<i>Total Cash Disbursements</i>	<u>435,493</u>	<u>1,133,281</u>		<u>1,568,774</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,715</u>	<u>(144,213)</u>		<u>(76,498)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	65,636	114,308	\$25,000	204,944
Transfers Out	(121,695)	(50,000)	(33,249)	(204,944)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(56,059)</u>	<u>64,308</u>	<u>(8,249)</u>	
<i>Net Change in Fund Cash Balances</i>	11,656	(79,905)	(8,249)	(76,498)
<i>Fund Cash Balances, January 1</i>	<u>1,089,874</u>	<u>2,620,522</u>	<u>341,751</u>	<u>4,052,147</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,522,087		2,522,087
Committed	469,513	18,530	333,502	821,545
Assigned	31,454			31,454
Unassigned	600,563			600,563
<i>Fund Cash Balances, December 31</i>	<u>\$1,101,530</u>	<u>\$2,540,617</u>	<u>\$333,502</u>	<u>\$3,975,649</u>

*See accompanying notes to the financial statements*

# Ottawa County District Board of Health

Ottawa 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 Ottawa County District Board of Health, Ottawa County, Ohio (the District) as a body corporate and politic. The District is a combined Board of Health as defined by Section 3709.07 of the Ohio Rev. Code. The District is the union of the city health department of the City of Port Clinton and the Ottawa County General Board of Health. The District operates under the discretion of a six-member appointed Board of Health with four members appointed by the District Advisory Council and one member being a resident of the City of Port Clinton, and one member appointed by the District Licensing Council. This District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, home health services, various clinics and issues environmental health-related licenses and permits.

The District's management believes these financial statements present all activities for which the District is financially accountable.

### *Public Entity Risk Pool*

The District participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

## 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 capital projects. The District had the following significant Special Revenue Fund:

**Home Health Fund** This fund receives fees for providing home nursing services to elderly and homebound persons.

**Capital Project Funds** These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project Fund:

# Ottawa County District Board of Health

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2016

---

**Capital Equipment Fund** This fund receives transfers from various funds and accumulates resources to be used for expenditure for capital outlays.

## ***Basis of Accounting***

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

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

## ***Budgetary Process***

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

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

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

**Encumbrances** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2016 budgetary activity appears in Note 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:

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,679,270	\$568,844	(\$1,110,426)
Special Revenue	1,206,520	1,103,376	(103,144)
Capital Projects	10,000	25,000	15,000
Total	\$2,895,790	\$1,697,220	(\$1,198,570)

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

---

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,832,697	\$587,586	\$1,245,111
Special Revenue	1,363,849	1,183,617	180,232
Capital Projects	37,249	33,249	4,000
Total	\$3,233,795	\$1,804,452	\$1,429,343

**Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Ottawa 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 – Intergovernmental Funding**

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

***Risk Pool Membership***

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

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

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

Casualty and Property Coverage

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

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

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

**Financial Position**

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

	<b><u>2016</u></b>
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 \$3,000.

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.

<b><u>2016 Contributions to PEP</u></b>
<b>\$ 4,659</b>

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

**Note 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 prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14%, 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

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – 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 10 – Miscellaneous Receipts**

During 2016, Special Revenue Fund Type miscellaneous receipts consisted primarily of other and reimbursements receipts.

**Ottawa County District Board of Health**

*Ottawa County*

*Combined Statement of Receipts, Disbursements,  
and Changes in Fund Balances (Regulatory Cash Basis)*

*All Governmental Fund Types*

*For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Charges for Services	\$58,616	\$502,055		\$560,671
Fines, Licenses and Permits	48,452	200,461		248,913
Intergovernmental:				
Apportionments	324,000			324,000
Grants	7,759	275,021		282,780
Other	3,419			3,419
Miscellaneous	1,207	50,151		51,358
<i>Total Cash Receipts</i>	<u>443,453</u>	<u>1,027,688</u>		<u>1,471,141</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	190,070	657,799		847,869
Fringe Benefits	68,575	254,211		322,786
Supplies		70,144		70,144
Contracts - Services	8,823	117,536		126,359
Advertising and Printing	29	473		502
Travel	14,320	41,541		55,861
Other Expenses	70,030	60,532		130,562
<i>Total Cash Disbursements</i>	<u>351,847</u>	<u>1,202,236</u>		<u>1,554,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>91,606</u>	<u>(174,548)</u>		<u>(82,942)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	37,300	92,269	\$25,000	154,569
Transfers Out	(92,269)	(50,000)	(12,300)	(154,569)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(54,969)</u>	<u>42,269</u>	<u>12,700</u>	
<i>Net Changes in Fund Cash Balances</i>	36,637	(132,279)	12,700	(82,942)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>1,053,237</u>	<u>2,752,801</u>	<u>329,051</u>	<u>4,135,089</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,608,881		2,608,881
Committed	451,942	19,478	341,751	813,171
Assigned	153,427			153,427
Unassigned (Deficit)	484,505	(7,837)		476,668
<i>Fund Cash Balances, December 31</i>	<u>\$1,089,874</u>	<u>\$2,620,522</u>	<u>\$341,751</u>	<u>\$4,052,147</u>

*See accompanying notes to the financial statements*



# Ottawa County District Board of Health

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2015

---

## Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Ottawa County District Board of Health, Ottawa County, Ohio (the District) as a body corporate and politic. The District is a combined Board of Health as defined by Section 3709.07 of the Ohio Rev. Code. The District is the union of the city health department of the City of Port Clinton and the Ottawa County General Board of Health. The District operates under the discretion of a six-member appointed Board of Health with four members appointed by the District Advisory Council and one member being a resident of the City of Port Clinton, and one member appointed by the District Licensing Council. This District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, home health services, various clinics and issues environmental health-related licenses and permits.

The District's management believes these financial statements present all activities for which the District is financially accountable.

### *Public Entity Risk Pool*

The District participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. Note 6 to the financial statements provides additional information for this entity.

## 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 capital projects. The District had the following significant Special Revenue Fund:

**Home Health Fund** This fund receives fees for providing home nursing services to elderly and homebound persons.

**Capital Project Funds** These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Project Fund:

## Ottawa County District Board of Health

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2015

---

**Capital Equipment Fund** This fund receives transfers from various funds and accumulates resources to be used for expenditure for capital outlays.

### ***Basis of Accounting***

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

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

### ***Budgetary Process***

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

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

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

**Encumbrances** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 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:

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2015*

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2015 follows:

Fund Type	2015 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,673,700	\$480,753	(\$1,192,947)
Special Revenue	1,243,200	1,119,957	(123,243)
Capital Projects	10,000	25,000	15,000
Total	<u>\$2,926,900</u>	<u>\$1,625,710</u>	<u>(\$1,301,190)</u>

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2015*

---

---

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,785,082	\$503,234	\$1,281,848
Special Revenue	1,410,433	1,254,124	156,309
Capital Projects	16,300	12,300	4,000
Total	<u>\$3,211,815</u>	<u>\$1,769,658</u>	<u>\$1,442,157</u>

**Note 4 - Deposits and Investments**

As required by the Ohio Revised Code, the Ottawa 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 – Intergovernmental Funding**

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

***Risk Pool Membership***

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

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

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

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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.

**Ottawa County District Board of Health**

*Ottawa County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2015*

---

**Financial Position**

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<b><u>2015</u></b>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015 the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District’s share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<b><u>2015 Contributions to PEP</u></b>
<b>\$ 4,547</b>

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

**Note 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 prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14%, of participants’ gross salaries. The District has paid all contributions required through December 31, 2015.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes

## Ottawa County District Board of Health

Ottawa County

Notes to the Financial Statements

For the Year Ended December 31, 2015

---

multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

### Note 9 – 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 10 – Fund Reclassifications

Beginning in 2015, the salary reserve and capital equipment funds previously reported as special revenue funds were reclassified to the general and capital projects funds, respectively, for financial reporting purposes as the District deemed these classifications more appropriate based on the purposes of the funds. These changes in classification had the following effects on fund balances previously reported for the year ended December 31, 2014:

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
Fund balance December 31, 2014	\$601,692	\$3,533,397	
Fund Reclassification	451,545	(780,596)	\$329,051
Restated fund balance December 31, 2014	<u>\$1,053,237</u>	<u>\$2,752,801</u>	<u>\$329,051</u>



# 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

Ottawa County District Board of Health  
Ottawa County  
1856 East Perry Street  
Port Clinton, Ohio 43452-4200

To the Members of the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Ottawa County District Board of Health, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 9, 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. We also noted the District restated its beginning fund balances to reclassify two funds and more appropriately reflect the purposes of those funds.

### ***Internal Control Over Financial Reporting***

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

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

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

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. 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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 9, 2018



**OTTAWA COUNTY DISTRICT BOARD OF HEALTH  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2016-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- The financial statements submitted for audit via the HINKLE System did not contain sufficient disbursement descriptions, as General Fund disbursements were classified as Personal and Other. The amounts have been reclassified in amounts ranging from \$250 to \$321,717 in order to more appropriately classify disbursement descriptions as indicated in the financial statements;
- General Fund fines, licenses, and permits receipts in the amount of \$51,758 were incorrectly classified as charges for services receipts;
- Opening fund balance (\$451,900), actual receipts (\$25,000), actual disbursements (\$7,387), ending fund balance (\$469,513), budgeted receipts (\$10,000), and budgeted expenditures (\$10,000) associated with the Salary Reserve Fund were reclassified from the Special Revenue Fund Type to the General Fund in accordance with Governmental Accounting Standards Board Statement No. 54;
- Special Revenue Fund Type transfers out to the General Fund in the amount of \$1,091,782 were reclassified to be reflected as disbursements in the appropriate Special Revenue Fund Type disbursement line items. The reclassifications ranged from \$126 to \$608,588 and included reductions in corresponding amounts in General Fund disbursements;
- Special Revenue Fund Type budgeted expenditures (appropriations) were increased \$184,578 in order to bring amounts reported in the notes to the financial statement in line with authorized budget amounts; and
- Opening fund balance (\$341,751), actual receipts (\$25,000), actual disbursements (\$33,249), ending fund balance (\$333,502), budgeted receipts (\$10,000), and budgeted expenditures (\$37,249) associated with the Capital Equipment Fund were reclassified from the Special Revenue Fund Type to the Capital Projects Fund Type in accordance with Governmental Accounting Standards Board Statement No. 54.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- The financial statements submitted for audit via the HINKLE System did not contain sufficient disbursement descriptions, as General Fund disbursements were classified as Personal and Other. The amounts have been reclassified in amounts ranging from \$502 to \$322,786 in order to more appropriately classify disbursement descriptions as indicated in the financial statements;

**FINDING NUMBER 2016-001  
(CONTINUED)**

- General Fund fines, licenses, and permits receipts in the amount of \$47,802 were incorrectly classified as charges for services receipts;
- General Fund unassigned fund balance (\$94,312) and committed balance (\$83,544) fund were reclassified to assigned (\$177,856) in order to accurately reflect fund balance classification in accordance with Government Accounting Standards Board Statement No. 54;
- Opening fund balance (\$451,545), actual receipts (\$25,000), actual disbursements (\$24,645), ending fund balance (\$451,900), budgeted receipts (\$10,000), and budgeted expenditures (\$24,645) associated with the Salary Reserve Fund were reclassified from the Special Revenue Fund Type to the General Fund in accordance with Governmental Accounting Standards Board Statement No. 54;
- General Fund actual budgetary expenditures were increased in the amount of \$59,118 in order to bring amounts reported in the notes to the financial statement in line with actual activity;
- Special Revenue Fund Type transfers out to the General Fund in the amount of \$1,148,828 were reclassified to be reflected as disbursements in the appropriate Special Revenue Fund Type disbursement line items. The reclassifications ranged from \$124 to \$657,799 and included reductions in corresponding amounts in General Fund disbursements;
- Special Revenue Fund Type actual receipts were decreased in the amount of \$87,228 in order to bring amounts reported in the notes to the financial statement in line with actual activity; and
- Opening fund balance (\$329,051), actual receipts (\$25,000), actual disbursements (\$12,300), ending fund balance (\$341,751), budgeted receipts (\$10,000), and budgeted expenditures (\$16,300) associated with the Capital Equipment Fund were reclassified from the Special Revenue Fund Type to the Capital Projects Fund Type in accordance with Governmental Accounting Standards Board Statement No. 54.

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and where applicable, the District's accounting records have been adjusted to reflect these changes. Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015.

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

**Officials' Response:**

The County Auditor as fiscal agent for the Ottawa County Board of Health prepared the HINKLE annual financial report. In the future, the Ottawa County Board of Health will work with the County Auditor to review our financial statements prior to filing them in order to identify any potential errors.



# Dave Yost • Auditor of State

OTTAWA COUNTY DISTRICT BOARD OF HEALTH

OTTAWA 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  
MAY 10, 2018