



Dave Yost • Auditor of State

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

District Board of Health
Putnam County
256 E. Williamstown Road
Ottawa, Ohio 45875-1870

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the District Board of Health, Putnam 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 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, or 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 District Board of Health, Putnam 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 7, 2017

DISTRICT BOARD OF HEALTH
PUTNAM COUNTY

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$399,340		\$399,340
Intergovernmental	135,152	\$217,447	352,599
Immunizations	451,578		451,578
Fees and Permits		133,562	133,562
Licenses	41,419	5,870	47,289
Contractual services	27,617	4,065,840	4,093,457
Donations	10,000	103,218	113,218
Other receipts	25,340	132,632	157,972
<i>Total Cash Receipts</i>	<u>1,090,446</u>	<u>4,658,569</u>	<u>5,749,015</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	450,043	1,633,350	2,083,393
Supplies	337,496	661,005	998,501
Remittances to State	19,719	13,637	33,356
Equipment	21,533	29,001	50,534
Contracts - Repair		43,069	43,069
Contracts - Services	61,504	746,234	807,738
Rentals		54,022	54,022
Travel	20,737	109,487	130,224
Utilities and rentals		9,252	9,252
Continuing Education/Dues/Licenses		39,287	39,287
Advertising and printing		87,273	87,273
Public employee's retirement	59,249	17,342	76,591
Fringes	133,928	637,014	770,942
Other	17,739	157,316	175,055
<i>Total Cash Disbursements</i>	<u>1,121,948</u>	<u>4,237,289</u>	<u>5,359,237</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,502)</u>	<u>421,280</u>	<u>389,778</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		50,000	50,000
Advances-In	30,000	20,000	50,000
Transfers-Out		(50,000)	(50,000)
Advances-Out	(20,000)	(30,000)	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,000</u>	<u>(10,000)</u>	<u></u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,502)</u>	<u>411,280</u>	<u>389,778</u>
<i>Fund Cash Balances, January 1</i>	<u>780,885</u>	<u>2,951,958</u>	<u>3,732,843</u>
Fund Cash Balances, December 31			
Restricted		152,722	152,722
Committed		3,210,516	3,210,516
Assigned	271,508		271,508
Unassigned	487,875		487,875
<i>Fund Cash Balances, December 31</i>	<u>\$759,383</u>	<u>\$3,363,238</u>	<u>\$4,122,621</u>

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

**DISTRICT BOARD OF HEALTH
PUTNAM 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 District Board of Health, Putnam County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

The District participates in a public District risk pool. Note 6 to the financial statements provides additional information for this District. This organization is the Public Entities Pool of Ohio.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Basis of Accounting

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

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

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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:

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,

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

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

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 ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$824,657	\$1,120,446	\$295,789
Special Revenue	5,876,733	4,728,569	(1,148,164)
Total	\$6,701,390	\$5,849,015	(\$852,375)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,220,860	\$1,141,948	\$78,912
Special Revenue	5,911,441	4,524,508	1,386,933
Total	\$7,132,301	\$5,666,456	\$1,465,845

Note 4 - Deposits and Investments

As required by the Ohio Revised Code, the Putnam 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 and Property Taxes

The County apportions the excess of the District's appropriations over other estimated receipts among the Districts 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.

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 \$399,340 in 2016. The financial statements present these amounts as local taxes.

Note 6 – Risk Management

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

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. 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 \$6,000.

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>
\$10,190

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.

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

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

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 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 – Fund Balances

Fund balances are 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 fund types are presented below:

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Restricted for:			
Health Grants		\$9,046	\$9,046
Environmental Programs		143,676	143,676
Total Restricted		<u>152,722</u>	<u>152,722</u>
Committed for:			
Hospice		2,419,441	2,419,441
Home Health		777,141	777,141
Community Health		13,934	13,934
Total Committed		<u>3,210,516</u>	<u>3,210,516</u>
Assigned for:			
Subsequent Year Appropriations	\$271,508		271,508
Unassigned	<u>487,875</u>		<u>487,875</u>
Total Fund Balance	<u>\$759,383</u>	<u>\$3,363,238</u>	<u>\$4,122,621</u>

DISTRICT BOARD OF HEALTH
PUTNAM COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$396,516		\$396,516
Intergovernmental	107,422	\$114,228	221,650
Immunizations	355,406		355,406
Fees and Permits		92,937	92,937
Licenses	39,650	5,102	44,752
Contractual services	20,885	3,409,937	3,430,822
Donations		82,995	82,995
Other receipts	25,281	139,829	165,110
<i>Total Cash Receipts</i>	<u>945,160</u>	<u>3,845,028</u>	<u>4,790,188</u>
Cash Disbursements:			
Current Disbursements:			
Health:			
Salaries	416,734	1,500,526	1,917,260
Supplies	193,657	541,221	734,878
Remittances to State	19,133	11,881	31,014
Equipment	3,244	16,300	19,544
Contracts - Repair		28,108	28,108
Contracts - Services	34,411	730,380	764,791
Rentals		42,597	42,597
Travel	25,095	97,302	122,397
Utilities and rentals		11,837	11,837
Continuing Education/Dues/Licenses		30,563	30,563
Advertising and printing		72,178	72,178
Public employee's retirement	56,485	15,543	72,028
Fringes	97,951	557,629	655,580
Other	20,430	59,124	79,554
<i>Total Cash Disbursements</i>	<u>867,140</u>	<u>3,715,189</u>	<u>4,582,329</u>
<i>Excess of Receipts Over Disbursements</i>	<u>78,020</u>	<u>129,839</u>	<u>207,859</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		50,000	50,000
Advances-In	20,000	20,000	40,000
Transfers-Out		(50,000)	(50,000)
Advances-Out	(20,000)	(20,000)	(40,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u></u>	<u></u>	<u></u>
<i>Net Change in Fund Cash Balances</i>	<u>78,020</u>	<u>129,839</u>	<u>207,859</u>
<i>Fund Cash Balances, January 1</i>	<u>702,865</u>	<u>2,822,119</u>	<u>3,524,984</u>
Fund Cash Balances, December 31			
Restricted		121,905	121,905
Committed		2,830,051	2,830,051
Assigned	396,203		396,203
Unassigned	384,682	2	384,684
<i>Fund Cash Balances, December 31</i>	<u>\$780,885</u>	<u>\$2,951,958</u>	<u>\$3,732,843</u>

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

**DISTRICT BOARD OF HEALTH
PUTNAM 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 District Board of Health, Putnam County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related licenses and permits.

The District participates in a public District risk pool. Note 6 to the financial statements provides additional information for this District. This organization is the Public Entities Pool of Ohio.

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

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

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

Basis of Accounting

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

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

Budgetary Process

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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:

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

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$879,014	\$965,160	\$86,146
Special Revenue	5,305,506	3,915,028	(1,390,478)
Total	\$6,184,520	\$4,880,188	(\$1,304,332)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,104,375	\$887,140	\$217,235
Special Revenue	5,624,214	3,952,970	1,671,244
Total	\$6,728,589	\$4,840,110	\$1,888,479

Note 4 - Deposits and Investments

As required by the Ohio Revised Code, the Putnam 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 and Property Taxes

The County apportions the excess of the District's appropriations over other estimated receipts among the Districts 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.

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 \$396,516 in 2015. The financial statements present these amounts as local 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

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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

Casualty and Property Coverage

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

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

Financial Position

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

	<u>2015</u>
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 15.5 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 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 \$6,000.

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>2015 Contributions to PEP</u>
\$10,190

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.

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 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 – Fund Balances

Fund balances are 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 fund types are presented below:

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Restricted for:			
Health Grants		\$8,145	\$8,145
Environmental Programs		113,760	113,760
Total Restricted		<u>121,905</u>	<u>121,905</u>
Committed for:			
Hospice		1,968,394	1,968,394
Home Health		806,166	806,166
Community Health		55,491	55,491
Total Committed		<u>2,830,051</u>	<u>2,830,051</u>
Assigned for:			
Subsequent Year Appropriations	\$396,203		396,203
Unassigned	<u>384,682</u>	2	<u>384,684</u>
Total Fund Balance	<u>\$780,885</u>	<u>\$2,951,958</u>	<u>\$3,732,843</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

District Board of Health
Putnam County
256 E. Williamstown Road
Ottawa, Ohio 45875-1870

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 District Board of Health, Putnam 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 November 7, 2017, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the findings 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 7, 2017

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Monitoring Financial Statements

The Board of Health's management is responsible for the fair presentation of the financial statements. Inaccurate posting of transactions impedes the ability of the Board to accurately assess the financial status of the Board of Health. The District lacked a policy regarding financial review which contributed to the following errors:

- In 2016, the Water Pollution Control Loan Fund project monies received through the Ohio Water Development Authority, in the amount of \$114,645 were incorrectly posted to the fees and permits line item in the Special Revenue Septic Fund instead of the intergovernmental revenue line item. These monies are a principal forgiveness loan with no repayment required. Therefore, the monies will be considered a grant for reporting purposes.
- Various grant and state support monies in the amount of \$60,602 and \$26,033, in 2016 and 2015, respectively, were incorrectly posted to the other revenue line item in the General Fund instead of the intergovernmental revenue line item.
- Subsequent year appropriations in excess of estimated receipts were not correctly classified as assigned fund balance for 2016 and 2015 in the amounts of \$271,508 and \$396,203, respectively.

Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements have been adjusted to correct these and one other error.

To help ensure the Board of Health's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the statements and notes by the Board and Health Commissioner to identify and correct errors and omissions. Also, in order to help ensure the District's governmental fund balances are reported in accordance with GASB No. 54, we recommend the Board review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the GASB 54 disclosures.

Officials' Response:

The Fiscal Officer (Health Commissioner), along with the Fiscal Clerk, will communicate with staff from the Putnam County Auditor's Office to verify the correct posting of grant and state support monies and will review future postings of financial activity. Water Pollution Control Loan Fund monies will be posted to the State and Federal Fund - Intergovernmental Revenue Line Item.

FINDING NUMBER 2016-002

Material Weakness - Budgetary Reporting

Inaccurate posting of amounts on the budgetary note and to the accounting system impedes the ability of the Board to accurately assess the budgetary status of the District. The 2016 and 2015 budgetary notes and accounting system included amendments to budgeted receipts from the Certificate of Estimated Resources dated after year end.

Budgeted receipts in the Special Revenue Funds were understated in the budgetary note and on the accounting system in the amount of \$1,195,003 in 2016. Budgeted receipts in the Special Revenue Funds were understated on the budgetary note by \$54,236 and in the accounting system by \$1,614,834 in 2015. The District lacked a policy regarding review of the budgetary statements which contributed to these errors.

As a result, the District's budgetary notes did not correctly reflect the financial activity of the District. The accompanying budgetary notes have been adjusted to correct these errors.

Officials' Response:

We did not receive a response from Officials to this finding.

**DISTRICT BOARD OF HEALTH
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness for monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2016-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Health Commissioner plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.

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PUTNAM COUNTY DISTRICT BOARD OF HEALTH

PUTNAM 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
NOVEMBER 28, 2017**