



Dave Yost • Auditor of State

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Portage County Combined General Health District
Portage County
705 Oakwood Street, Suite 208
Ravenna, Ohio 44266

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 Portage County Combined General Health District, Portage 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 1B 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 Portage County Combined General Health District, Portage County 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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

October 27, 2017

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$1,051,421		\$1,051,421
Clinic Fees	104,003		104,003
Licenses, Permits, Registrations and Fees	237,004	545,661	782,665
Intergovernmental	312,387	389,919	702,306
Contractual Services	430,646	62,524	493,170
Miscellaneous	12,217	2,500	14,717
<i>Total Cash Receipts</i>	<u>\$2,147,678</u>	<u>\$1,000,604</u>	<u>\$3,148,282</u>
Cash Disbursements			
Current:			
Health:			
Personnel Services	\$1,336,027	\$807,613	2,143,640
Contractual Services	271,868	90,154	362,022
Materials and Supplies	209,666	38,051	247,717
Miscellaneous	4,091	48,969	53,060
<i>Total Cash Disbursements</i>	<u>\$1,821,652</u>	<u>\$984,787</u>	<u>\$2,806,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>\$326,026</u>	<u>\$15,817</u>	<u>\$341,843</u>
Other Financing Receipts (Disbursements)			
Advances In		\$67,904	\$67,904
Advances Out	(67,904)		(67,904)
Transfers In		1,606	1,606
Transfers Out	(1,606)		(1,606)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(\$69,510)</u>	<u>\$69,510</u>	<u>\$0</u>
<i>Net Change in Fund Cash Balances</i>	\$256,516	\$85,327	\$341,843
<i>Fund Cash Balances, January 1</i>	<u>1,607,800</u>	<u>293,869</u>	<u>1,901,669</u>
Fund Cash Balances, December 31			
Restricted		\$379,196	\$379,196
Assigned	508,902		508,902
Unassigned	1,355,414		1,355,414
<i>Fund Cash Balances, December 31</i>	<u>\$1,864,316</u>	<u>\$379,196</u>	<u>\$2,243,512</u>

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

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**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Portage County Combined General Health District, Portage County, (the District) as a body corporate and politic. The District is directed by an eight member Board, who are appointed by the District Advisory Council and the Mayors of the Cities of Aurora, Streetsboro and Ravenna. The Board appoints the Health Commissioner. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, health-related licenses and permits and health education and promotion.

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

B. Accounting Basis

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.

C. Deposits and Investments

As required by the Ohio Revised Code, the Portage 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.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

Infrastructure – This is a Federal grant fund that accounts for the Public Health Emergency Preparedness Program.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Food Service – This fund receives monies from the sale of food service and vending licenses.

E. Budgetary Process

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

1. 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 of Health must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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 2.

F. 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:

1. Nonspendable

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

2. 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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. 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.

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(CONTINUED)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 is as follows:

2016 Budget vs Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,971,240	\$ 2,147,678	\$ 176,438
Special Revenue	<u>1,021,485</u>	<u>1,070,114</u>	<u>48,629</u>
Total	<u>\$ 2,992,725</u>	<u>\$ 3,217,792</u>	<u>\$ 225,067</u>

2016 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,488,194	\$ 1,901,303	\$ 586,891
Special Revenue	<u>1,189,418</u>	<u>984,787</u>	<u>204,631</u>
Total	<u>\$3,677,612</u>	<u>\$ 2,886,090</u>	<u>\$ 791,522</u>

3. LEVY FUNDING

The County Commissioners serve as a taxing authority for a special levy to provide the District with sufficient funds for health programs. The levy generated \$1,051,421 in 2016. The financial statements present these amounts as property tax receipts.

4. RETIREMENT SYSTEMS

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. For 2016, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(CONTINUED)**

5. RISK MANAGEMENT

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

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	2016
Assets	\$42,182,281
Liabilities	13,396,700
Net Position	\$ 28,785,581

The assets above include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment.

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>Contributions to PEP</u>
\$ 12,117

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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(CONTINUED)**

6. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE 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			
Property Taxes	\$ 970,933	\$ -	\$ 970,933
Charges for Services	53,424	11,063	64,487
Licenses, Permits and Fees	406,393	440,076	846,469
Intergovernmental	216,293	338,853	555,146
Contractual Services	515,970	-	515,970
<i>Total Cash Receipts</i>	<u>2,163,013</u>	<u>789,992</u>	<u>2,953,005</u>
Cash Disbursements			
Current:			
Health:			
Personnel Services	1,425,774	628,002	2,053,776
Contractual Services	76,376	46,980	123,356
Materials and Supplies	187,863	24,839	212,702
Miscellaneous	173,115	55,380	228,495
<i>Total Cash Disbursements</i>	<u>1,863,128</u>	<u>755,201</u>	<u>2,618,329</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>299,885</u>	<u>34,791</u>	<u>334,676</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	40,000	40,000
Transfers Out	(40,000)	-	(40,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	259,885	74,791	334,676
<i>Fund Cash Balances, January 1</i>	<u>1,347,915</u>	<u>219,078</u>	<u>1,566,993</u>
Fund Cash Balances, December 31			
Restricted	-	293,869	293,869
Committed	-	-	-
Assigned	516,955		516,955
Unassigned	1,090,845	-	1,090,845
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,607,800</u>	<u>\$ 293,869</u>	<u>\$ 1,901,669</u>

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

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**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Portage County Combined General Health District, Portage County, (the District) as a body corporate and politic. The District is directed by an eight member Board, who are appointed by the District Advisory Council and the Mayors of the Cities of Aurora, Streetsboro and Ravenna. The Board appoints the Health Commissioner. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, health-related licenses and permits and health education and promotion.

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

B. Accounting Basis

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.

C. Deposits and Investments

As required by the Ohio Revised Code, the Portage 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.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

Infrastructure – This is a Federal grant fund that accounts for the Public Health Emergency Preparedness Program.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Food Service – This fund receives monies from the sale of food service and vending licenses.

E. Budgetary Process

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

1. 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 of Health must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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 2.

F. 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:

1. Nonspendable

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

2. 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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015
(CONTINUED)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 is as follows:

2016 Budget vs Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,118,210	\$ 2,163,013	\$ 44,803
Special Revenue	<u>769,422</u>	<u>829,992</u>	<u>60,570</u>
Total	<u>\$ 2,887,632</u>	<u>\$ 2,993,005</u>	<u>\$ 105,373</u>

2016 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,062,682	\$ 1,910,090	\$1,152,592
Special Revenue	<u>889,702</u>	<u>755,816</u>	<u>133,886</u>
Total	<u>\$3,952,384</u>	<u>\$ 2,665,906</u>	<u>\$1,286,478</u>

3. LEVY FUNDING

The County Commissioners serve as a taxing authority for a special levy to provide the District with sufficient funds for health programs. The levy generated \$970,933 in 2015. The financial statements present these amounts as property tax receipts.

4. RETIREMENT SYSTEMS

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. For 2015, OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14% respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015
(CONTINUED)**

5. RISK MANAGEMENT

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

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

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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.

Financial Position

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

	2015
Assets	\$ 38,307,677
Liabilities	\$ 12,759,127
Net Position	\$ 25,548,550

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 \$7,000.

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>Contributions to PEP</u>
\$ 11,638

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015
(CONTINUED)**

5. RISK MANAGEMENT – (Continued)

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

6. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.



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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

Portage County Combined General Health District
Portage County
705 Oakwood Street, Suite 208
Ravenna, Ohio 44266

To the Board of Health:

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 Portage County Combined General Health District, Portage County, (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 October 27, 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 opinion 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*.

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

October 27, 2017

**PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT
PORTAGE 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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1. Financial Statement Reporting

<i>Finding Number</i>	2016-001
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MATERIAL WEAKNESS

Sound financial reporting is essential to ensure that information provided to the readers of the financial statements is complete and accurate. The District misstated and misclassified various receipts, disbursements and fund cash balances in their 2015 and 2016 financial statements as follows:

- In 2015, homestead and rollback and tangible personal property tax intergovernmental receipts totaling \$177,851 were improperly recorded as 'property tax' receipts rather than "intergovernmental" receipts in the General Fund. This resulted in the "property tax" revenue line item being overstated and the "intergovernmental" revenue line item being understated in the General Fund on 2015 financial statements.
- In 2015, "contract services" receipts totaling \$410,000 were improperly recorded as "intergovernmental" receipts in the General Fund. This resulted in the "intergovernmental" revenue line item being overstated and the "contractual services" revenue line item being understated in the General Fund on the 2015 financial statements.
- In 2015, a \$40,000 "transfer" between the General Fund and Special Revenue Funds was improperly reported as an "advance" on the financial statements. This resulted in an understatement of General Fund "transfers-out" and Special Revenue Fund "transfers-in" on the financial statements.
- In 2015, the District reported \$614 of "assigned" fund balance in the Special Revenue Funds. However, the Special Revenue Funds are considered "restricted" funds. Since the fund balance is already "restricted", no "assigned" fund balance should be reported in the Special Revenue Funds.
- In 2016, \$15,000 in state grant "intergovernmental" receipts were improperly recorded in Special Revenue Medical Reserves Corps Fund (MRC) as "miscellaneous" receipts. This resulted in the "miscellaneous" revenue line item being overstated and the "intergovernmental" revenue line item being understated in the Special Revenue funds on the financial statements
- In 2016, a \$1,601 "transfer" between the General Fund and Special Revenue Funds was improperly reported as an "advance" on the financial statement. This resulted in an understatement of General Fund "transfers-out" out and Special Revenue Fund "transfers-in" on the financial statements.
- In 2016, the District appropriately reported \$69,510 in transfers and advances in the General Fund. However, these transfers and advances were also reported as miscellaneous cash disbursements in the General Fund. This resulted in an overstatement of the "miscellaneous" cash disbursements line item and an understatement of unassigned fund cash balance in the General Fund.
- In 2016, the District's financial statements did not appropriately report all of the material and supplies cash disbursements recorded in the accounting system. This resulted in a \$2,282 understatement of the "material and supplies" cash disbursements line item and an overstatement of fund cash balance in the Special Revenue Funds.

**Finding Number - 2016-001
(Continued)**

- In 2015, the beginning fund balances in the General Fund and the Special Revenue Funds were understated by \$210 and \$737, respectively. In 2016, the beginning fund balances were understated by \$724,817 in the General Fund and overstated by \$390,141 in the Special Revenue Funds.
- In 2015 and 2016 the General Fund's subsequent year appropriations exceeded subsequent year estimated revenue by \$509,992 and \$498,761, respectively. The District failed to report these amounts as an "assignment" of the General Fund's ending balance, resulting in an understatement of the General Fund's "assigned" fund balance and an overstatement of the General Fund's "unassigned" fund balance in the 2015 and 2016 financial statements.

The District has not implemented controls over the preparation of their financial statements which would assist in the detection and prevention of financial statement reporting errors.

The financial statements have been adjusted to reflect the reclassification and adjustment of the above errors.

To ensure proper financial reporting the District should perform the following procedures:

- Prepare financial statements based on the actual cash basis activity from the District's accounting system and properly report receipts and expenditures to the correct revenue or expenditure account classifications.
- Report fund balance classifications in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- Report prior year ending fund balances as current year beginning fund balances.

In addition, the District should implement controls over the preparation of their financial statements which would assist in the detection and prevention of financial statement reporting errors.

Official's Response: Our agency reports through the Portage County Auditor, the Ohio Department of Health Annual Financial Report and recently through the Auditor of State via the Hinkle reporting system. This has led to some of the confusion as far as reporting funds correctly into each of these reporting systems. This Schedule of Findings will assist our agency in reporting to the Auditor of State via the Hinkle report and for the Ohio Department of Health.

2. Budgetary Footnote Disclosures

<i>Finding Number</i>	2016-002
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure that information provided to the readers of the financial statements and accompanying notes is complete and accurate.

Several errors were noted in Note 2 to the financial statements regarding "Budgetary Activity".

The following errors were noted for 2015:

- General Fund and Special Revenue budgeted receipts were reported at \$2,014,637 and \$768,158 rather than \$2,118,210 and \$769,422, respectively, which agrees to the county certificate of estimated resources.
- Special Revenue actual receipts were reported at \$789,992 rather than \$829,992, which agree with amounts reported in the 2015 financial statements.
- General Fund and Special Revenue budgeted expenditures were reported at \$2,377,400 and \$768,158 rather than \$3,062,682 and \$889,702, respectively, which were the total amount of appropriations approved by the District.
- General Fund and Special Revenue actual expenditures were reported at \$1,863,128 and \$755,201 rather than \$1,910,090 and \$755,816, respectively, which agree to the 2015 financial statement disbursements plus the District's outstanding encumbrances at year end.

The following errors were noted for 2016:

- General Fund and Special Revenue budgeted receipts were reported at \$1,954,637 and \$828,158 rather than \$1,971,240 and \$1,021,485, respectively, which agrees to the county certificate of estimated resources.
- Special Revenue actual receipts were reported at \$1,000,604 rather than \$1,070,114, which agree with amounts reported in the 2016 financial statements.
- General Fund and Special Revenue budgeted expenditures were reported at \$2,261,678 and \$931,363 rather than \$2,488,194 and \$1,189,418, respectively, which were the total amount of appropriations approved by the District.
- General Fund and Special Revenue actual expenditures were reported at \$1,891,162 and \$982,505 rather than \$1,901,303 and \$984,787, respectively, which agree to the 2016 financial statement disbursements plus the District's outstanding encumbrances at year end.

Budgetary information disclosed in the notes to the financial statements should reflect the District's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to ensure the accurate presentation of note disclosure information.

**Finding Number - 2016-002
(Continued)**

The District's budgetary information in Note 2 has been corrected for the above errors.

Management should implement procedures or policies to ensure complete and accurate reporting of the financial statements and accompanying notes. The procedures would include the Fiscal Officer's, or an appointed representative's, review of the District's year-end financial statements and notes to the financial statements for accuracy, reasonableness and consistency between years.

Official's Response: Our agency reports through the Portage County Auditor, the Ohio Department of Health Annual Financial Report and recently through the Auditor of State via the Hinkle reporting system. This has led to some of the confusion as far as reporting funds correctly into each of these reporting systems. This Schedule of Findings will assist our agency in reporting to the Auditor of State via the Hinkle report and for the Ohio Department of Health.

PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT

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Joseph J. Diorio, MPH, MS, RS
 Health Commissioner

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2014-001	<p>Management Monitoring for Internal Control During fiscal year 2014, the District did not maintain effective internal controls over the cash collection process which resulted in theft of cash receipts by a former employee.</p>	Corrective Action Taken and Finding is Fully Corrected	None

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PORTAGE COUNTY COMBINED GENERAL HEALTH DISTRICT

PORTAGE 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
DECEMBER 5, 2017