



Dave Yost • Auditor of State



**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Hancock County Combined General Health District  
Hancock County  
7748 County Road 140  
Findlay, Ohio 45840

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 Hancock County Combined General Health District, Hancock County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

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

***Emphasis of Matter***

As discussed in Note 11 to the 2016 financial statements, the Hancock County District Board of Health merged with the City of Findlay Department of Health to form the Hancock County Combined General Health District effective January 1, 2016. The opening fund balances of the District include the transfer of these entities remaining cash balances. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2018

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**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Charges for Services	\$1,198,361	\$125,968	\$1,324,329
Fines, Licenses and Permits	137,240	266,434	403,674
Intergovernmental:			
Apportionments	607,500		607,500
Grants	157,006	229,211	386,217
Miscellaneous	22,898	559	23,457
	<b>2,123,005</b>	<b>622,172</b>	<b>2,745,177</b>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	1,057,123	262,363	1,319,486
Fringe Benefits	213,476	52,280	265,756
Supplies	413,145	12,001	425,146
Equipment	28,033	14,227	42,260
Contract Services	127,687	25,151	152,838
Travel	4,909	16,594	21,503
Advertising and Printing	18,512	327	18,839
Public Employees Retirement System	148,071	36,665	184,736
Workers' Compensation	12,396	4,249	16,645
Remittance to State	119,201	84,794	203,995
Other	3,254	28,186	31,440
	<b>2,145,807</b>	<b>536,837</b>	<b>2,682,644</b>
<i>Total Cash Disbursements</i>	<b>2,145,807</b>	<b>536,837</b>	<b>2,682,644</b>
<i>Excess of Receipts Over (Under) Disbursements</i>	<b>(22,802)</b>	<b>85,335</b>	<b>62,533</b>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		12,820	12,820
Transfers Out	(12,820)		(12,820)
Advances In	27,047	27,047	54,094
Advances Out	(27,047)	(27,047)	(54,094)
	<b>(12,820)</b>	<b>12,820</b>	<b></b>
<i>Total Other Financing Receipts (Disbursements)</i>	<b>(12,820)</b>	<b>12,820</b>	<b></b>
<i>Net Change in Fund Cash Balances</i>	<b>(35,622)</b>	<b>98,155</b>	<b>62,533</b>
<i>Fund Cash Balances, January 1</i>	<b>940,755</b>	<b>133,198</b>	<b>1,073,953</b>
<b>Fund Cash Balances, December 31</b>			
Restricted		231,353	231,353
Assigned	287,648		287,648
Unassigned	617,485		617,485
	<b>\$905,133</b>	<b>\$231,353</b>	<b>\$1,136,486</b>
<i>Fund Cash Balances, December 31</i>	<b>\$905,133</b>	<b>\$231,353</b>	<b>\$1,136,486</b>

See accompanying notes to the basic financial statements

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Hancock County Combined General Health District, dba: Hancock Public Health, Hancock County, (the “District”) as a body corporate and politic. The District was created effective January 1, 2016 when the Hancock County District Board of Health merged with the City of Findlay Department of Health. The District’s Board of Health consists of seven members with six appointed by the former District Advisory Council, the former governing board of the Hancock County District Board of Health, and one member appointed by the Health District Licensing Council. At least one member of the Board will be a physician and all members should be a resident of the jurisdiction of the District. The terms of office of members will be five years with initial terms to be staggered from one to five years for certain Board members. The Board appoints a full-time Health Commissioner who is the chief administrative officer of 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 the Public Entity Pool of Ohio, a public entity risk pool, see Note 6.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Food Service Fund*** This fund receives receipts from licenses issued for various food operations.

***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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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***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 2017 budgetary activity appears in Note 3.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

***Committed*** The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board 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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

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

**Note 3 – Budgetary Activity**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,936,871	\$2,150,052	\$213,181
Special Revenue	661,048	662,039	991
Total	\$2,597,919	\$2,812,091	\$214,172

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,403,791	\$2,197,587	\$206,204
Special Revenue	689,852	572,133	117,719
Total	\$3,093,643	\$2,769,720	\$323,923

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Hancock 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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 5 – Intergovernmental Funding**

After all sources of revenue certified for the ensuing fiscal year, including any amounts in the District health fund from the previous appropriation, including the sources of revenue set forth in Ohio Revised Code, Section 3709.28 as amended from time to time, have been deducted from the budget, the necessary funds to meet the remaining budget shall be apportioned by the County Auditor at 57.50% from the City of Findlay and 42.50% from townships and villages within the County. The proportionate cost share shall be borne by the City of Findlay and the townships and villages within the County in the same ratio as their population bears to the total population of the area within the jurisdiction of the District. Commencing in 2021, and thereafter, the proportionate cost shall be reviewed and adjusted as determined by the most current data released by the United States Census Bureau. For 2017-2019, the proportionate cost share contribution shall be a sum not to exceed \$607,500 per year with the share contributed by the City of Findlay to be a sum not to exceed \$360,000 per year and the share contributed by the townships and villages within the County to be a sum not to exceed \$247,500. For 2020 and 2021, the share contributed by the City of Findlay to be a sum not to exceed \$349,313 and the share contributed by the townships and villages within the County to be a sum not to exceed \$258,187. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

<b><u>2017 Contributions to PEP</u></b>
\$ 10,000

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

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement***

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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

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

**Note 9 – 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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Note 10 – Leases**

The District had five outstanding lease purchase agreements for automobiles and copiers at December 31, 2017.

Amortization of the above leases, including interest, follows:

Year ending December 31,	Leases
2018	\$11,640
2019	11,640
2020	4,878
2021	1,295
Total	<u>\$29,453</u>

**Note 11 – Interfund Transfers**

The District's general fund transferred \$12,820 to the sewage special revenue fund during 2017.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK 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)
<b>Cash Receipts</b>			
Charges for Services	\$954,427	\$37,962	\$992,389
Fines, Licenses and Permits	204,642	251,724	456,366
Intergovernmental:			
Apportionments	607,500		607,500
Grants	157,807	138,093	295,900
Miscellaneous	78,450		78,450
<i>Total Cash Receipts</i>	<u>2,002,826</u>	<u>427,779</u>	<u>2,430,605</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	999,188	231,910	1,231,098
Fringe Benefits	195,223	43,155	238,378
Supplies	412,880	5,080	417,960
Equipment	24,591		24,591
Contract Services	224,913	9,570	234,483
Travel	2,681	7,036	9,717
Advertising and Printing	5,759	8,860	14,619
Public Employees Retirement System	136,074	30,285	166,359
Workers' Compensation	16,750	4,047	20,797
Remittance to State	103,816	77,617	181,433
Other	5,062	29,468	34,530
<i>Total Cash Disbursements</i>	<u>2,126,937</u>	<u>447,028</u>	<u>2,573,965</u>
<i>Net Change in Fund Cash Balances</i>	(124,111)	(19,249)	(143,360)
<i>Fund Cash Balances, January 1</i>	<u>1,064,866</u>	<u>152,447</u>	<u>1,217,313</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		133,198	133,198
Assigned	466,920		466,920
Unassigned	473,835		473,835
<i>Fund Cash Balances, December 31</i>	<u>\$940,755</u>	<u>\$133,198</u>	<u>\$1,073,953</u>

See accompanying notes to the basic financial statements

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Note 1 – Reporting Entity**

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The District participates in the Public Entity Pool of Ohio, a public entity risk pool, see Note 6.

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:

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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:

***Food Service Fund*** This fund receives receipts from licenses issued for various food operations.

***Solid Waste Facilities Fund*** This fund receives an operating fee from the County Landfill to be licensed.

***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).

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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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***

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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

**Note 3 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,242,170	\$2,002,826	(\$239,344)
Special Revenue	538,177	427,779	(110,398)
Total	\$2,780,347	\$2,430,605	(\$349,742)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,552,133	\$2,157,067	\$395,066
Special Revenue	564,800	449,658	115,142
Total	\$3,116,933	\$2,606,725	\$510,208

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Hancock 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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 5 – Intergovernmental Funding**

After all sources of revenue certified for the ensuing fiscal year, including any amounts in the District health fund from the previous appropriation, including the sources of revenue set forth in Ohio Revised Code, Section 3709.28 as amended from time to time, have been deducted from the budget, the necessary funds to meet the remaining budget shall be apportioned by the County Auditor at 57.50% from the City of Findlay and 42.50% from townships and villages within the County. The proportionate cost share shall be borne by the City of Findlay and the townships and villages within the County in the same ratio as their population bears to the total population of the area within the jurisdiction of the District. Commencing in 2021, and thereafter, the proportionate cost shall be reviewed and adjusted as determined by the most current data released by the United States Census Bureau. For 2016-2019, the proportionate cost share contribution shall be a sum not to exceed \$607,500 per year with the share contributed by the City of Findlay to be a sum not to exceed \$360,000 per year and the share contributed by the townships and villages within the County to be a sum not to exceed \$247,500. For 2020 and 2021, the share contributed by the City of Findlay to be a sum not to exceed \$349,313 and the share contributed by the townships and villages within the County to be a sum not to exceed \$258,187. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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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 \$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.

<b>2016 Contributions to PEP</b>
\$ 12,000

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

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement***

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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

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

**Note 9 – 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.

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Note 10 – Leases**

The District had four outstanding lease purchase agreements for automobiles at December 31, 2016.

Amortization of the above leases, including interest, follows:

Year ending December 31,	Leases
2017	\$9,401
2018	7,701
2019	7,701
2020	2,922
Total	<u>\$27,725</u>

**Note 11 – Merger of Operations**

Effective January 1, 2016, the Hancock County District Board of Health and the City of Findlay Department of Health, two separate governmental units that were not previously part of the same financial entity, merged to form the Hancock County Combined General Health District, dba: Hancock Public Health pursuant to Ohio Revised Code Section 3709.07. The primary reason for the merger was to decrease costs and to better serve the residents of Hancock County. The total amount of cash fund balance recognized as of the merger date was \$1,217,313 which included \$556,476 from the former Hancock County District Board of Health and \$660,837 from the former City of Findlay Department of Health.



# Dave Yost • Auditor of State

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

Hancock County Combined General Health District  
Hancock County  
7748 County Road 140  
Findlay, Ohio 45840

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 Hancock County Combined General Health District, Hancock County, Ohio (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 27, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Hancock County District Board of Health and the City of Findlay Department of Health merged to form the District and the opening balances of the District include the transfer of these entities remaining cash balances.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2018

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT  
HANCOCK COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001**

**Material Weakness – GASB 54**

Governmental Accounting Standards Board (GASB) Statement No. 54 introduces five fund balance classifications. The fund balance classifications, codified as GASB Cod 1800.165-.179, relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The assigned fund balance classification at GASB Cod 1800.173-176, includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The 2018 and 2017 permanent appropriation measures for the General Fund exceeded estimated receipts as follows:

	2018	2017
Estimated Receipts	\$1,879,700	\$1,936,871
Appropriations	2,155,435	2,373,661
Excess Appropriations	\$275,735	\$436,790

Due to an insufficiency of monitoring by management, the amounts of the excess appropriations noted above were classified as unassigned fund balance rather than recognized as assigned in the General Fund.

Adjustments were recorded to the 2017 and 2016 financial statements to properly record these amounts as assigned fund balance.

To help ensure the District’s fund balances are reported in accordance with GASB 54, Officials should review and follow Auditor of State Bulletin 2011-004.

**Officials' Response:**

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

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# Dave Yost • Auditor of State

**HANCOCK COUNTY COMBINED GENERAL HEALTH DISTRICT**

**HANCOCK 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  
JULY 17, 2018**