



Dave Yost • Auditor of State

**HENRY COUNTY – CITY OF NAPOLEON COMBINED GENERAL HEALTH DISTRICT
HENRY COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Henry County - City of Napoleon Combined
General Health District
Henry County
1843 Oakwood Avenue
Napoleon, Ohio 43545-9243

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 Henry County - City of Napoleon Combined General Health District, Henry 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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 7, 2018

Henry County - City of Napoleon Combined General Health District*Henry County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Taxes	\$659,116		\$659,116
Intergovernmental	474,085	\$234,354	708,439
Fees	34,387		34,387
Charges for Services	24,656	1,578,457	1,603,113
State Subsidy	7,699		7,699
Personal Health Fees	258,943		258,943
Other Receipts	61,591	48,486	110,077
<i>Total Cash Receipts</i>	<u>1,520,477</u>	<u>1,861,297</u>	<u>3,381,774</u>
Cash Disbursements			
Current:			
Salaries	811,152	965,281	1,776,433
Supplies	195,966	92,434	288,400
Insurance	89,962	155,940	245,902
Equipment	9,973	9,709	19,682
Contract Services	187,688	330,397	518,085
Rentals		31,227	31,227
Travel	43,840	36,860	80,700
Medicare Tax	11,335	14,007	25,342
Advertising and Printing	16,139	17,127	33,266
Public Employee's Retirement	105,793	131,702	237,495
Worker's Compensation	10,088	10,448	20,536
Settlement Fees	18,554		18,554
Other	62,714	247,875	310,589
<i>Total Cash Disbursements</i>	<u>1,563,204</u>	<u>2,043,007</u>	<u>3,606,211</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(42,727)</u>	<u>(181,710)</u>	<u>(224,437)</u>
Other Financing Receipts (Disbursements)			
Transfers In	177,757	128,244	306,001
Transfers Out	(111,850)	(194,151)	(306,001)
Advances In		10,000	10,000
Advances Out	(10,000)		(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>55,907</u>	<u>(55,907)</u>	
<i>Net Change in Fund Cash Balances</i>	13,180	(237,617)	(224,437)
<i>Fund Cash Balances, January 1</i>	<u>1,419,965</u>	<u>1,719,077</u>	<u>3,139,042</u>
Fund Cash Balances, December 31			
Nonspendable	153		153
Restricted		1,062,816	1,062,816
Committed		418,644	418,644
Assigned	569,852		569,852
Unassigned	863,140		863,140
<i>Fund Cash Balances, December 31</i>	<u>\$1,433,145</u>	<u>\$1,481,460</u>	<u>\$2,914,605</u>

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

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Henry County-City of Napoleon Combined General Health District, Henry County, Ohio (the District) as a body corporate and politic. A seven-member Board and a Health Commissioner govern the District. The District's core public health services include environmental health (food and water safety, inspections, nuisance abatement), communicable disease control, vital records, health promotion and education, emergency preparedness, community health assessment and improvement planning, and community engagement. Additional personal health services include immunizations, reproductive health and wellness, Help Me Grow home visiting, school nursing, home health, and hospice.

Public Entity Risk Pool

The District is a member of the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. Note 7 to the financial statements provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Home Health Agency Fund This fund receives insurance reimbursements and fees to provide home nursing services.

Hospice Fund This fund receives insurance reimbursements and fees for providing hospice services.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

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 District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio 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's Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,763,996	\$1,698,234	(\$65,762)
Special Revenue	2,740,232	1,999,541	(740,691)
Total	\$4,504,228	\$3,697,775	(\$806,453)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,763,996	\$1,685,054	\$78,942
Special Revenue	2,740,232	2,237,158	503,074
Total	\$4,504,228	\$3,922,212	\$582,016

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

Note 4 – Deposits and Investments

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

Note 5 – Intergovernmental Funding and Property Taxes

Intergovernmental Funding

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

Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

The Henry County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$659,116 in 2017. The financial statements present these amounts as tax receipts.

Note 6 – Interfund Activity

Advances

Outstanding advances at December 31, 2017, consisted of \$10,000 advanced to the Public Health Emergency Preparedness (PHEP) fund for operation of the PHEP program until grant monies were received.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

Transfers

For the year ended December 31, 2017, the District had the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$177,757	\$111,850
Special Revenue Funds:		
Environmental Fund	88,875	8,875
Hospice Fund		3,562
Severance Fund	39,369	
Home Health Fund		3,562
Home Health Aide Fund		56,039
Reproductive Health Fund		395
Dental Fund		121,718
<i>Totals</i>	<u>\$306,001</u>	<u>\$306,001</u>

Transfers were made from the General fund to the Environmental fund to help fund Environmental services provided by the District. In addition, \$22,975 was transferred from the General fund to the Severance fund to fund a severance payment for a former employee. The Severance fund also received transfers from the Home Health, Hospice, Environmental, and Reproductive Health funds for severance payments to former employees. Amounts transferred from the Home Health Aide fund into the General fund were in compliance with the District's maximum fund balance policy, which has been approved by the District's Board. The transfer from the Dental fund into the General fund was made to close out the Dental fund as the District's ceased providing Dental serves at the end of 2017.

Note 7 – 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.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

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

Financial Position

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

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

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years is approximately \$11,000.

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>2017 Contributions to PEP</u> \$17,831

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 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2017

(Continued)

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 9 – Postemployment Benefits

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

Note 10 – Contingent Liabilities

The Henry County Board of Health approved joining the Ohio Public Entity Consortium HealthCare Cooperative (OPEC-HC) at its June 11, 2014 meeting. OPEC-HC was a self-insured health care benefit plan that was to be administered by Jefferson Health Plan (JHP), which is a non-profit organization that was created in 1985 to pool the resources of Ohio public entities that self-insure their benefit programs. There were advantages to joining OPEC-HC that included: 1) tax savings of 2.4 percent in 2014 and 3.3 percent in 2015 due to not being subjected to the Affordable Care Act Market Share Tax due to being a self-insured plan; 2) a plan design that matches the structure of the current Health Department's plan; 3) choice of three insurance networks which included Medical Mutual of Ohio which was the current network utilized the Henry County Health Department; 4) an 18-month rate guarantee; and 5) more predictable renewal rates. The effective date of enrollment was August 1, 2014 to remain in effect for 36 months from that date to enrollment or January 1, 2018. OPEC-HC dissolved December 31, 2017 and all run-out claims are being processed through New Perspective Asset Management, an independent organization from OPEC-HC.

The District is exposed to the risk that the member health departments may need to fund the settlements of OPEC-HC's liabilities. The District estimates a liability of approximately \$160,500 in the event of such an occurrence.

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.

Henry County - City of Napoleon Combined General Health District

Henry County

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

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Taxes	\$653,628		\$653,628
Intergovernmental	526,117	\$248,576	774,693
Fees	34,601		34,601
Charges for Services	23,776	1,668,006	1,691,782
State Subsidy	22,695		22,695
Personal Health Fees	267,626		267,626
Other Receipts	63,977	66,569	130,546
<i>Total Cash Receipts</i>	<u>1,592,420</u>	<u>1,983,151</u>	<u>3,575,571</u>
Cash Disbursements			
Current:			
Salaries	785,624	1,009,808	1,795,432
Supplies	185,917	79,959	265,876
Insurance	105,698	164,185	269,883
Equipment	23,417	14,637	38,054
Contract Services	138,782	233,316	372,098
Rentals		38,310	38,310
Travel	44,907	33,849	78,756
Medicare Tax	11,190	14,378	25,568
Advertising and Printing	7,363	11,769	19,132
Public Employee's Retirement	109,516	136,525	246,041
Worker's Compensation	7,141	12,325	19,466
Settlement Fees	16,880		16,880
Other	77,632	273,492	351,124
<i>Total Cash Disbursements</i>	<u>1,514,067</u>	<u>2,022,553</u>	<u>3,536,620</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>78,353</u>	<u>(39,402)</u>	<u>38,951</u>
Other Financing Receipts (Disbursements)			
Transfers In	264,130	126,000	390,130
Transfers Out	(104,700)	(285,430)	(390,130)
Advances In	5,052	15,000	20,052
Advances Out	(15,000)	(5,052)	(20,052)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>149,482</u>	<u>(149,482)</u>	
<i>Net Change in Fund Cash Balances</i>	227,835	(188,884)	38,951
<i>Fund Cash Balances, January 1</i>	<u>1,192,130</u>	<u>1,907,961</u>	<u>3,100,091</u>
Fund Cash Balances, December 31			
Nonspendable	721		721
Restricted		1,177,367	1,177,367
Committed		541,710	541,710
Assigned	554,900		554,900
Unassigned	864,344		864,344
<i>Fund Cash Balances, December 31</i>	<u>\$1,419,965</u>	<u>\$1,719,077</u>	<u>\$3,139,042</u>

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

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

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Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

Basis of Accounting

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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. Appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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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:

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,705,467	\$1,861,602	\$156,135
Special Revenue	2,827,700	2,124,151	(703,549)
Total	\$4,533,167	\$3,985,753	(\$547,414)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,705,467	\$1,633,767	\$71,700
Special Revenue	2,827,700	2,313,035	514,665
Total	\$4,533,167	\$3,946,802	\$586,365

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

Note 4 – Deposits and Investments

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

Note 5 – Intergovernmental Funding and Property Taxes

Intergovernmental Funding

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

Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

The Henry County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$653,628 in 2016. The financial statements present these amounts as tax receipts.

Note 6 – Interfund Activity

Advances

Outstanding advances at December 31, 2016, consisted of \$10,000 advanced to the Child and Family Health Services fund and \$5,000 advanced to the Public Health Emergency Preparedness fund for operation of each program until grant monies were received.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

Transfers

For the year ended December 31, 2016, the District had the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$264,130	\$104,700
Special Revenue Funds:		
Environmental Fund	97,500	12,500
Hospice Fund		267,930
Severance Fund	28,500	
Home Health Fund		3,800
Reproductive Health Fund		1,200
<i>Totals</i>	<u>\$390,130</u>	<u>\$390,130</u>

Transfers were made from the General fund to the Environmental fund to help fund Environmental services provided by the District. In addition, \$7,200 was transferred from the General fund to the Severance fund to fund a severance payment for a former employee. The Severance fund also received transfers from the Home Health, Hospice, Environmental, and Reproductive Health funds for severance payments to former employees. Amounts transferred from the Hospice fund into the General fund were in compliance with the District's maximum fund balance policy, which has been approved by the District's Board.

Note 7 – 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.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

Financial Position

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

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

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 \$9,000.

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

<u>2016 Contributions to PEP</u> \$14,222

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 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also 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.

Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2016

(Continued)

Note 9 – Postemployment Benefits

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

Note 10 – Contingent Liabilities

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.



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

Henry County - City of Napoleon Combined
General Health District
Henry County
1843 Oakwood Avenue
Napoleon, Ohio 43545-9243

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Henry County - City of Napoleon Combined General Health District, Henry 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 August 7, 2018, wherein we noted the District followed financial reporting provisions Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

August 7, 2018



Dave Yost • Auditor of State

HENRY COUNTY- CITY OF NAPOLEON COMBINED GENERAL HEALTH DISTRICT

HENRY 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
AUGUST, 21 2018**