



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HENRY COUNTY – CITY OF NAPOLEON COMBINED GENERAL HEALTH DISTRICT  
HENRY COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Henry County – City of Napoleon Combined General Health District, Henry County, Ohio (the District) as of and for the years ended December 31, 2019 and 2018.

### ***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, 2019 and 2018, 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 District, as of December 31, 2019 and 2018, 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 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. 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 November 30, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 30, 2020

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**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, 2019*

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
State Funds		\$33,888	\$33,888
Federal Funds		79,746	79,746
Taxes	\$754,679		754,679
Charges for Services	469,365	677,065	1,146,430
Fines, Licenses, and Permits		100,115	100,115
Intergovernmental Revenue			
Appropriations	471,771		471,771
Contractual Services	43,427		43,427
Other Receipts	35,504	23,132	58,636
<i>Total Cash Receipts</i>	<u>1,774,746</u>	<u>913,946</u>	<u>2,688,692</u>
<b>Cash Disbursements</b>			
Salaries	1,085,680	675,450	1,761,130
Medicare	15,602	9,318	24,920
Public Employee's Retirement	144,458	97,425	241,883
Contractual Services	122,784	299,008	421,792
Rent		8,119	8,119
Equipment and Maintenance	8,594	109,710	118,304
Computers / Software	23,033	5,345	28,378
Insurance	166,423	143,836	310,259
Other Expenses	47,180	50,991	98,171
Tax Settlement Fees	6,596	174	6,770
Remittance to State	24,917	9,631	34,548
Supplies and Postage	246,069	24,905	270,974
Advertising and Printing	8,975	16,000	24,975
Travel Expense	41,475	23,517	64,992
Principal		17,185	17,185
Interest		5,801	5,801
<i>Total Cash Disbursements</i>	<u>1,941,786</u>	<u>1,496,415</u>	<u>3,438,201</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(167,040)</u>	<u>(582,469)</u>	<u>(749,509)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		105,850	105,850
Transfers Out	(105,850)		(105,850)
Loan Proceeds		109,710	109,710
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(105,850)</u>	<u>215,560</u>	<u>109,710</u>
<i>Net Change in Fund Cash Balances</i>	<u>(272,890)</u>	<u>(366,909)</u>	<u>(639,799)</u>
<i>Fund Cash Balances, January 1</i>	<u>675,910</u>	<u>1,085,768</u>	<u>1,761,678</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	177		177
Restricted		518,603	518,603
Committed		200,256	200,256
Unassigned	402,843		402,843
<i>Fund Cash Balances, December 31</i>	<u>\$403,020</u>	<u>\$718,859</u>	<u>\$1,121,879</u>

*See accompanying notes to the financial statements*

# Henry County – City of Napoleon Combined General Health District

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

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## **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 6 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 reimbursement and fees to 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, 2019

(Continued)

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## ***Basis of Accounting***

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

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

## ***Budgetary Process***

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 level of control and appropriations may not exceed estimated resources. The Board of Health 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 2019 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.

**Henry County – City of Napoleon Combined General Health District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

**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, 2019, follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$2,028,809	\$1,774,746	(\$254,063)
Special Revenue	2,166,724	1,129,506	(1,037,218)
Total	<u>\$4,195,533</u>	<u>\$2,904,252</u>	<u>(\$1,291,281)</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$2,135,809	\$2,047,636	\$88,173
Special Revenue	2,248,534	1,496,415	752,119
Total	<u>\$4,384,343</u>	<u>\$3,544,051</u>	<u>\$840,292</u>

## Henry County – City of Napoleon Combined General Health District

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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### **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 applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include credits and/or deduction 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 \$754,679 in 2019. The financial statements present these amounts as tax receipts.

### **Note 6 – Risk Management**

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Henry County – City of Napoleon Combined General Health District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 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, 2019.

**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. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 9 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Vehicle Loans	\$103,850	4.80%

The District entered into loans in 2018 with Ally Bank to acquire vehicles to be used for employees traveling to provide Home Health and Hospice Services. The loans were refinanced in 2019 with the Henry County Bank for a lower interest rate. The Henry County Bank has taken a security interest in the vehicles acquired with the original loan proceeds. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

**Henry County – City of Napoleon Combined General Health District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2019*

*(Continued)*

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***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Vehicle Loans
2020	\$22,739
2021	22,739
2022	22,739
2023	22,739
2024	22,739
2025	3,769
Total	<u><u>\$117,464</u></u>

**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.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2018*

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
State Funds		\$15,576	\$15,576
Federal Funds		105,985	105,985
Taxes	\$669,113		669,113
Charges for Services	434,702	1,025,748	1,460,450
Fines, Licenses, and Permits		101,908	101,908
Intergovernmental Revenue			
Appropriations	329,179		329,179
Grants		7,500	7,500
Contractual Services	1,464		1,464
Other Receipts	27,566	28,835	56,401
<i>Total Cash Receipts</i>	<u>1,462,024</u>	<u>1,285,552</u>	<u>2,747,576</u>
<b>Cash Disbursements</b>			
Salaries	922,101	865,020	1,787,121
Medicare	13,408	12,007	25,415
Public Employee's Retirement	116,955	118,911	235,866
Workers' Compensation	4,716	4,315	9,031
Auditing Fees	7,542	1,068	8,610
Contractual Services	151,652	307,574	459,226
Rent		25,075	25,075
Equipment and Maintenance	394,754	122,798	517,552
Computers / Software	10,191	21,104	31,295
Insurance	136,136	207,468	343,604
Other Expenses	52,699	60,195	112,894
Tax Settlement Fees	6,547		6,547
Remittance to State	21,487	10,261	31,748
Supplies and Postage	219,843	92,126	311,969
Advertising and Printing	14,811	27,325	42,136
Travel Expense	41,667	29,664	71,331
Principal		2,754	2,754
Interest		1,128	1,128
<i>Total Cash Disbursements</i>	<u>2,114,509</u>	<u>1,908,793</u>	<u>4,023,302</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(652,485)</u>	<u>(623,241)</u>	<u>(1,275,726)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		106,785	106,785
Transfers Out	(104,750)	(2,035)	(106,785)
Loan Proceeds		122,798	122,798
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(104,750)</u>	<u>227,548</u>	<u>122,798</u>
<i>Net Change in Fund Cash Balances</i>	<u>(757,235)</u>	<u>(395,693)</u>	<u>(1,152,928)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,433,145</u>	<u>1,481,460</u>	<u>2,914,605</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	198		198
Restricted		771,500	771,500
Committed		314,268	314,268
Assigned	107,000		107,000
Unassigned	568,712		568,712
<i>Fund Cash Balances, December 31</i>	<u>\$675,910</u>	<u>\$1,085,768</u>	<u>\$1,761,678</u>

*See accompanying notes to the financial statements*



# Henry County – City of Napoleon Combined General Health District

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

---

## **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 6 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:

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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, 2018

(Continued)

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## ***Basis of Accounting***

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

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

## ***Budgetary Process***

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 level of control and appropriations may not exceed estimated resources. The Board of Health 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 2018 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.

**Henry County – City of Napoleon Combined General Health District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

**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, 2018, follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,314,635	\$1,462,024	(\$852,611)
Special Revenue	2,166,724	1,515,135	(651,589)
Total	<u>\$4,481,359</u>	<u>\$2,977,159</u>	<u>(\$1,504,200)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,314,635	\$2,219,259	\$95,376
Special Revenue	2,166,724	1,910,828	255,896
Total	<u>\$4,481,359</u>	<u>\$4,130,087</u>	<u>\$351,272</u>

## Henry County – City of Napoleon Combined General Health District

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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### **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 applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include credits and/or deduction 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 \$669,113 in 2018. The financial statements present these amounts as tax receipts.

### **Note 6 – Risk Management**

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Henry County – City of Napoleon Combined General Health District**

*Henry County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 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, 2018.

**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. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Vehicle Loans	\$120,044	5.54%

The District entered into loans with Ally Bank to acquire vehicles to be used for employees traveling to provide Home Health and Hospice Services. Ally Bank has taken security interests in the vehicles purchased with the loan proceeds. There is no provision in the Ohio Revised Code for the District to enter into this type of debt.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

## Henry County – City of Napoleon Combined General Health District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

(Continued)

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Year Ending December 31:	Vehicle Loans
2019	\$23,290
2020	23,290
2021	23,290
2022	23,290
2023	23,290
2024-2025	25,231
Total	<u>\$141,681</u>

### 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.e 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 by 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 was exposed to the risk that the member health departments may need to fund the settlements of OPEC-HC's liabilities. The District paid \$96,212 in 2018 to New Perspective Asset Management to pay off its share of OPEC-HC's liabilities.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. The grant may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

### Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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

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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated November 30, 2020 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 financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

***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 2019-001 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 financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

***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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 30, 2020



**HENRY COUNTY – CITY OF NAPOLEON COMBINED  
GENERAL HEALTH DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness - Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors requiring adjustments to the financial statements and/or notes to the financial statements for the year ended December 31, 2019 were identified:

- General Fund contractual services in the amount of \$282,801 were reclassified as charges for services and other receipts in the amounts of \$258,389 and \$24,412, respectively;
- General Fund charges for services in the amount of \$127,068 were incorrectly classified as state fund and federal funds in the amounts of \$125,228 and \$1,840 respectively;
- General Fund unassigned fund balance in the amount of \$402,843 has been reclassified from assigned;
- Home Health Agency Fund charges for services in the amount of \$375,149 were incorrectly classified as intergovernmental revenue, state funds, and federal funds in the amounts of \$12,728, \$19,402, and 343,019, respectively;
- Hospice Fund charges for services in the amount of \$259,024 were incorrectly classified as intergovernmental revenue and federal funds in the amounts of \$3,696 and \$255,328, respectively;
- Special Revenue Fund Type revenues and expenditures were understated by \$109,710 due to loan proceeds and equipment disbursements not recorded for loans in the Home Health Agency and Hospice Funds in the amounts of \$54,855 and \$54,855, respectively;
- Special Revenue Fund Type committed fund balance in the amount of \$52,430 has been reclassified from assigned fund balance;
- Budgeted Receipts in the Budgetary Activity note to the financial statements did not agree to the amount certified by the County Budget Commission in the General Fund by \$285,826; and
- Actual Receipts in the Budgetary Activity note to the financial statements were incorrectly noted in the General Fund and Special Revenue Fund Type in amounts of \$270,804 and \$372,540, respectively.

We also identified the following errors requiring adjustments to the financial statements for the year ended December 31, 2018:

**FINDING NUMBER 2019-001  
(Continued)**

- General Fund charges for services in the amount of \$256,621 were incorrectly classified as contractual services;
- General Fund unassigned fund balance in the amount of \$568,712 has been reclassified from assigned;
- Home Health Agency Fund charges for services in the amount of \$403,303 were incorrectly classified as intergovernmental revenue, state funds, and federal funds in the amounts of \$16,966, \$28,908, and 357,429, respectively;
- Hospice Fund charges for services in the amount of \$544,196 were incorrectly classified as intergovernmental revenue, state funds, and federal funds in the amounts of \$45,395, \$9,000, and \$489,801, respectively;
- Special Revenue Fund Type committed fund balance in the amount of \$49,634 has been reclassified from assigned fund balance; and
- Special Revenue Fund revenues and expenditures were understated by \$122,798 due to loan proceeds and equipment disbursements not recorded for loans in the Home Health Agency and Hospice Funds in the amounts of \$61,399 and \$61,399, respectively.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Health to make misinformed decisions. The accompanying financial statements, notes to the financial statements, and where applicable, the District's accounting records have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$6,540 to \$47,135 that we have brought to the District's attention.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and members of the Board to help identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**FINDING NUMBER 2019-002**

**Noncompliance**

**Ohio Rev. Code § 3707.55(A)** provides a board of health of a general health district may acquire, convey, lease, or enter into a contract to purchase, lease, or sell real property for the district's purposes, and may enter into loan agreements, including mortgages, for the acquisition of such property. No section of Ohio Rev. Code Chapter 3707 allows a board of a general health district to acquire personal property by entering into a loan agreement.

During 2019 and 2018, the District made principal payments on outstanding promissory notes in the amount of \$17,185 and \$2,754, respectively. The promissory note was used by the District to obtain vehicles for the Home Health and Hospice Funds.

**FINDING NUMBER 2019-002  
(Continued)**

This type of debt is not authorized in Ohio Rev. Code Chapter 3707. The District had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the District.

The District should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

**Officials' Response:**

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

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# OHIO AUDITOR OF STATE KEITH FABER



**HENRY COUNTY- CITY OF NAPOLEON COMBINED GENERAL HEALTH DISTRICT**

**HENRY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/15/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)