



OHIO AUDITOR OF STATE  
**KEITH FABER**





**OTTAWA COUNTY DISTRICT BOARD OF HEALTH  
OTTAWA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2018 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017 .....	9
Notes to the Financial Statements - For the Year Ended December 31, 2017 .....	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Summary Schedule of Prior Audit Findings (Prepared by Management).....	19

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Ottawa County District Board of Health  
Ottawa County  
1856 East Perry Street  
Port Clinton, Ohio 43452-4200

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 Ottawa County District Board of Health, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

### ***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, 2018 and 2017, 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 Ottawa County District Board of Health, Ottawa County, Ohio as of December 31, 2018 and 2017, 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 5, 2019, 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

August 5, 2019

**Ottawa County District Board of Health**  
*Ottawa 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*

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Charges for Services	\$165,810	\$427,908		\$593,718
Fines, Licenses and Permits	1,008	287,184		288,192
Intergovernmental:				
Apportionments	384,000			384,000
Grants	7,772	500,356		508,128
Miscellaneous	24,504	27,105		51,609
<i>Total Cash Receipts</i>	<u>583,094</u>	<u>1,242,553</u>		<u>1,825,647</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	224,206	558,932		783,138
Fringe Benefits	98,927	276,972		375,899
Supplies	2,368	100,227		102,595
Contracts - Services	32,149	82,601		114,750
Advertising and Printing	169			169
Travel	14,778	24,643		39,421
Rent	22,260			22,260
State Remittance		35,506		35,506
State of Ohio Water Testing Fee		6,366		6,366
Other Expenses	147,039	225,633		372,672
<i>Total Cash Disbursements</i>	<u>541,896</u>	<u>1,310,880</u>		<u>1,852,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>41,198</u>	<u>(68,327)</u>		<u>(27,129)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	462,357	123,933	\$25,000	611,290
Transfers Out	(123,933)	(477,878)	(9,479)	(611,290)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>338,424</u>	<u>(353,945)</u>	<u>15,521</u>	
<i>Net Change in Fund Cash Balances</i>	379,622	(422,272)	15,521	(27,129)
<i>Fund Cash Balances, January 1</i>	<u>1,107,223</u>	<u>2,446,617</u>	<u>351,902</u>	<u>3,905,742</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,023,845		2,023,845
Committed		500	367,423	367,923
Assigned	121,696			121,696
Unassigned	1,365,149			1,365,149
<i>Fund Cash Balances, December 31</i>	<u>\$1,486,845</u>	<u>\$2,024,345</u>	<u>\$367,423</u>	<u>\$3,878,613</u>

See accompanying notes to the financial statements

**Ottawa County District Board of Health**  
*Ottawa 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 Ottawa County District Board of Health, Ottawa County, Ohio (the District) as a body corporate and politic. The District is a combined Board of Health as defined by Section 3709.07 of the Ohio Rev. Code. The District is the union of the city health department of the City of Port Clinton and the Ottawa County General Board of Health. The District operates under the discretion of a six-member appointed Board of Health with four members appointed by the District Advisory Council, one member being a resident of the City of Port Clinton, and one member appointed by the District Licensing Council. This District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, home health services, various clinics, and issuance of environmental health-related licenses and permits.

***Public Entity Risk Pool***

The District participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. 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 capital projects. The District had the following significant Special Revenue Fund:

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

***Capital Project Funds*** These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Projects Fund:

***Capital Equipment Fund*** This fund receives transfers from various funds and accumulates resources to be used for expenditure for capital outlays.



**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 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.

***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.

**Ottawa County District Board of Health**  
*Ottawa County*  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2018

**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 ended December 31, 2018, follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,669,259	\$1,045,451	(\$623,808)
Special Revenue	1,483,089	1,366,486	(116,603)
Capital Projects	10,000	25,000	15,000
Total	\$3,162,348	\$2,436,937	(\$725,411)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,086,973	\$729,132	\$1,357,841
Special Revenue	1,831,652	1,789,258	42,394
Capital Projects	10,000	9,479	521
Total	\$3,928,625	\$2,527,869	\$1,400,756

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Ottawa 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**

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

**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

---

County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

***Risk Pool Membership***

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 (the latest information available), 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 District.

Financial Position

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

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

At December 31, 2017 (the latest information available) 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 (the latest information available). These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 (the latest information available), the District's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

---

<b><u>2018 Contributions to PEP</u></b> <b>\$ 4,301</b>
--

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

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement 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, and 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 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. 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.

**Ottawa County District Board of Health**  
*Ottawa 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*

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Charges for Services	\$135,373	\$429,434		\$564,807
Fines, Licenses and Permits		272,425		272,425
Intergovernmental:				
Apportionments	384,000			384,000
Grants	7,772	244,187		251,959
Other		2,783		2,783
Miscellaneous	745	55,461		56,206
<i>Total Cash Receipts</i>	<u>527,890</u>	<u>1,004,290</u>		<u>1,532,180</u>
<b>Cash Disbursements</b>				
Current:				
Salaries	221,355	626,901		848,256
Fringe Benefits	86,333	268,878		355,211
Supplies	2,390	77,208		79,598
Equipment	120			120
Contracts - Services	28,062	113,076		141,138
Advertising and Printing	135			135
Travel	13,756	32,463		46,219
Rent	24,771			24,771
State Remittance		33,691		33,691
State of Ohio Water Testing Fee		5,229		5,229
Other Expenses	53,684	14,035		67,719
<i>Total Cash Disbursements</i>	<u>430,606</u>	<u>1,171,481</u>		<u>1,602,087</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>97,284</u>	<u>(167,191)</u>		<u>(69,907)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	90,795	182,386	\$25,000	298,181
Transfers Out	(182,386)	(109,195)	(6,600)	(298,181)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(91,591)</u>	<u>73,191</u>	<u>18,400</u>	
<i>Net Change in Fund Cash Balances</i>	5,693	(94,000)	18,400	(69,907)
<i>Fund Cash Balances, January 1</i>	<u>1,101,530</u>	<u>2,540,617</u>	<u>333,502</u>	<u>3,975,649</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,446,617		2,446,617
Committed	15,014		351,902	366,916
Assigned	417,714			417,714
Unassigned	674,495			674,495
<i>Fund Cash Balances, December 31</i>	<u>\$1,107,223</u>	<u>\$2,446,617</u>	<u>\$351,902</u>	<u>\$3,905,742</u>

See accompanying notes to the financial statements

**Ottawa County District Board of Health**  
*Ottawa 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 Ottawa County District Board of Health, Ottawa County, Ohio (the District) as a body corporate and politic. The District is a combined Board of Health as defined by Section 3709.07 of the Ohio Rev. Code. The District is the union of the city health department of the City of Port Clinton and the Ottawa County General Board of Health. The District operates under the discretion of a six-member appointed Board of Health with four members appointed by the District Advisory Council, one member being a resident of the City of Port Clinton, and one member appointed by the District Licensing Council. This District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, home health services, various clinics, and issuance of environmental health-related licenses and permits.

***Public Entity Risk Pool***

The District participates in the Public Entities Pool of Ohio, which is a public entity risk pool that provides property and casualty coverage for its members. 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 to expenditure for specified purposes other than capital projects. The District had the following significant Special Revenue Fund:

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

***Capital Project Funds*** These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District had the following significant Capital Projects Fund:

***Capital Equipment Fund*** This fund receives transfers from various funds and accumulates resources to be used for expenditure for capital outlays.

**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

**Ottawa County District Board of Health**  
*Ottawa County*  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2017

**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 ended December 31, 2017, follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,646,011	\$618,685	(\$1,027,326)
Special Revenue	1,150,311	1,186,676	36,365
Capital Projects	10,000	25,000	15,000
Total	\$2,806,322	\$1,830,361	(\$975,961)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,854,293	\$628,006	\$1,226,287
Special Revenue	1,381,015	1,281,867	99,148
Capital Projects	10,000	6,600	3,400
Total	\$3,245,308	\$1,916,473	\$1,328,835

**Note 4 – Deposits and Investments**

As required by the Ohio Revised Code, the Ottawa 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**

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



**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

---

County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

**Note 6 – Risk Management**

***Risk Pool Membership***

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

	<b><u>2017</u></b>
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 \$3,000.

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.

**Ottawa County District Board of Health**  
*Ottawa County*  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

---

<b>2017 Contributions to PEP</b>
<b>\$ 4,462</b>

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

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement 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, 2017.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

**Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. 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.

# OHIO AUDITOR OF STATE KEITH FABER



One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

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

Ottawa County District Board of Health  
Ottawa County  
1856 East Perry Street  
Port Clinton, Ohio 43452-4200

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 Ottawa County District Board of Health, Ottawa County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 5, 2019 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***Compliance and Other Matters***

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

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

August 5, 2019

**OTTAWA COUNTY DISTRICT BOARD OF HEALTH  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**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.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018 were identified:

- The financial statements submitted for audit via the HINKLE System did not contain sufficient disbursement descriptions, as General Fund disbursements were classified as “personal” and “other.” The amounts have been reclassified in amounts ranging from \$169 to \$224,206 in order to more appropriately classify disbursement descriptions as indicated in the financial statements;
- Special Revenue Fund Type transfers out to the General Fund in the amount of \$1,268,268 were reclassified to be reflected as disbursements in the appropriate Special Revenue Fund Type disbursement line items. The reclassifications ranged from \$3 to \$544,156 and included reductions in corresponding amounts in General Fund transfers in and disbursements;
- Special Revenue Fund Type miscellaneous receipts in the amount of \$376,230 were reclassified as intergovernmental (\$240,817), fines, licenses, and permits (\$27,631), and charges for services (\$107,782) receipts;
- Special Revenue Fund Type unassigned fund balance in the amount of \$2,023,845 was reclassified to restricted in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Capital Projects Fund Type unassigned fund balance in the amount of \$367,423 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017 were also identified:

- The financial statements submitted for audit via the HINKLE System did not contain sufficient disbursement descriptions, as General Fund disbursements were classified as “personal” and “other.” The amounts have been reclassified in amounts ranging from \$120 to \$221,355 in order to more appropriately classify disbursement descriptions as indicated in the financial statements;
- General Fund unassigned fund balance in the amount of \$417,714 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);

**FINDING NUMBER 2018-001  
(CONTINUED)**

- Special Revenue Fund Type transfers out to the General Fund in the amount of \$1,120,531 were reclassified to be reflected as disbursements in the appropriate Special Revenue Fund Type disbursement line items. The reclassifications ranged from \$11 to \$558,181 and included reductions in corresponding amounts in General Fund transfers in and disbursements;
- Special Revenue Fund Type miscellaneous receipts in the amount of \$96,054 were reclassified as fines, licenses, and permits (\$22,000) and charges for services (\$74,054) receipts;
- Special Revenue Fund Type unassigned fund balance in the amount of \$2,446,617 was reclassified to restricted in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Capital Projects Fund Type unassigned fund balance in the amount of \$351,902 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179).

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. The accompanying financial statements, notes to the financial statements, and where applicable, the District's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

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, including a final review of the financial statements and notes to the financial statements by the Health Commissioner and Board of Health to help identify and correct errors and omissions. The Health Commissioner can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54: <http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>

**Officials' Response:**

As you are aware, the Ottawa County Auditor is the statutory fiscal agent for the Ottawa County Board of Health. As our fiscal agent, the County Auditor prepares and files the Annual Hinkle Report with the Auditor of State. The continued discrepancies in the report warrant an increase in coordination between the Ottawa County Auditor and the Ottawa County Board of Health when preparing and filing the Hinkle Report. Our corrective action plan will be to meet with the current Ottawa County Auditor, Jennifer Widmer, and develop a strategy to which the Auditor is able to identify the proper classification of the funds to be reported in the Hinkle Report.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	Matters related to finding 2016-001 were not corrected during the current audit due to deficiencies in the District's internal controls over financial statement monitoring. The Health Commissioner meet with the current Ottawa County Auditor, Jennifer Widmer, and develop a strategy to which the Auditor is able to identify the proper classification of the funds to be reported in the Hinkle Report.

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



OTTAWA COUNTY DISTRICT BOARD OF HEALTH

OTTAWA 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 15, 2019