



OHIO AUDITOR OF STATE
KEITH FABER



**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Defiance County General Health District
Defiance County
1300 East Second Street, Suite 100
Defiance, Ohio 43512-2484

To the Board Members:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Defiance County General Health District, Defiance County, Ohio (the District), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Efficient • Effective • Transparent

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 2021 and 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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

October 14, 2022

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**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$812,032		\$812,032
Charges for Services	141,145	\$5,740	146,885
Fines, Licenses and Permits		233,882	233,882
Intergovernmental	154,231	814,579	968,810
Contributions		29,519	29,519
Reimbursements	23,929		23,929
Miscellaneous	3,090		3,090
<i>Total Cash Receipts</i>	<u>1,134,427</u>	<u>1,083,720</u>	<u>2,218,147</u>
Cash Disbursements			
Current:			
Health:			
Salaries	410,132	470,093	880,225
Supplies	6,728	20,381	27,109
Equipment/Repairs	37,403	3,790	41,193
Contract Services	83,960	19,181	103,141
Telephone	8,785	6,840	15,625
Travel	6,019	5,038	11,057
Advertising	373		373
Rent	72,443	32,554	104,997
FICA	273		273
Insurance	139,781	143,120	282,901
Public Employees Retirement	58,534	63,554	122,088
Remittances to State	64,244	15,407	79,651
Settlement Deductions	18,086	46	18,132
Other	11,526	198,435	209,961
<i>Total Cash Disbursements</i>	<u>918,287</u>	<u>978,439</u>	<u>1,896,726</u>
<i>Excess of Receipts Over Disbursements</i>	<u>216,140</u>	<u>105,281</u>	<u>321,421</u>
Other Financing Receipts (Disbursements)			
Transfers In		10,000	10,000
Transfers Out	(10,000)		(10,000)
Advances In	12,000	51,000	63,000
Advances Out	(51,000)	(12,000)	(63,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(49,000)</u>	<u>49,000</u>	
<i>Net Change in Fund Cash Balances</i>	167,140	154,281	321,421
<i>Fund Cash Balances, January 1</i>	<u>1,327,014</u>	<u>238,660</u>	<u>1,565,674</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,494,154</u></u>	<u><u>\$392,941</u></u>	<u><u>\$1,887,095</u></u>

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

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Defiance County General Health District, Defiance County, Ohio (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, recording of vital statistics, investigations of food service facilities, water wells, sewers, campgrounds, swimming pools, immunization clinics, public health nursing services, inspections and they act upon various complaints made to the District Board of Health concerning the health and welfare of the County.

Jointly Governed Organization and Public Entity Risk Pool

The District participates in a jointly governed organization, the Public Health Services Council of Ohio, and a public entity risk pool, the Public Entities Pool of Ohio (PEP). Notes 6 and 7 to the financial statements provide additional information for these entities. 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 which are all organized on a fund type basis.

Fund Accounting

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

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

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

Women, Infants, and Children (WIC) Fund This is a Federal grant fund that accounts for the Special Supplemental Nutrition Program.

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.

DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Budgetary Process

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

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021, follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,140,284	\$1,149,427	\$9,143
Special Revenue	1,164,317	1,151,720	(12,597)
Total	\$2,304,601	\$2,301,147	(\$3,454)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,293,247	\$979,024	\$314,223
Special Revenue	1,193,810	1,000,702	193,108
Total	\$2,487,057	\$1,979,726	\$507,331

The Health Termination Fund is legally budgeted as a separate Special Revenue Fund; however, this fund is considered part of the General Fund for financial reporting purposes thus the General Fund budgetary statement will be lower and the Special Revenue Fund budgetary statement will be higher for actual disbursements in the amount of \$7,263. General Fund actual disbursements and Special Revenue Fund actual receipts will be higher on the budgetary statement in the amount of \$4,000 due to elimination of a transfer from the General Fund to the Special Revenue Health Termination Fund. In addition, General and Special Revenue Funds actual receipts and disbursements will be higher on the budgetary statement by \$3,000 for advances repaid within 2021.

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Defiance 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.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 5 – Property Taxes

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 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.

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
- Low enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

Note 7 – Jointly Governed Organization

The District is a member of the Public Health Services Council of Ohio (the Council). The Council is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code formed to coordinate the powers and duties of the member Boards to better serve and benefit public health in each of the Council's counties. The Council is made up of seven local member Boards of Health in Defiance, Fulton, Henry, Paulding, Putnam, Williams, and Wood Counties. The Council is governed by a Board of Directors consisting of the Health Commissioner (or appointed designee) from each of the participating Boards of Health. Each member County Board may cast a single vote on any Council meeting business that affects the services provided for the member Boards.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Each member Board provides resources to the Council based on a membership fee and any participating County can individually elect to purchase services from the Council. The Board of Directors exercise total control over the operation of the Council including budgeting, contracting, purchasing, and designating management. The Council has retained the Mid East Ohio Regional Council (MEORC) to perform fiscal responsibilities for the Council. The District has no ongoing financial interest of responsibility for the Council. In 2021, the District paid membership dues of \$5,000 to the Council. Financial information can be obtained from Cathy Henthorn, Director of Financial Operations of MEORC, 310 Lincoln Avenue, Montpelier, Ohio 43543.

Note 8 – Defined Benefit Pension Plans

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, 2021.

Social Security

The District's board members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2021. The portion of employer contributions allocated to health care for members in the Member-Directed Plan was 4.0 percent during calendar year 2021.

Note 10 – 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.

Note 11 – Fund Balances

The fund balance of Special Revenue Funds is restricted.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)**

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Interfund Balances

Advances

During 2021, the following advances were made:

	<u>Amount</u>
<u>Advances from the General Fund to:</u>	
Women, Infants, and Children (WIC) Fund	\$10,000
COVID-19 Enhanced Operations Fund	40,000
Public Health Workforce Fund	1,000
	<u>51,000</u>
 <u>Advances to the General Fund from:</u>	
Public Health Emergency Preparedness (PHEP) Fund	12,000
	<u>12,000</u>
 Total Advances	<u><u>\$63,000</u></u>

Outstanding advances due to the General Fund at December 31, 2021, consisted of \$13,450 advanced to the Safe Communities Fund, \$39,000 advanced to the Women, Infants, and Children (WIC) Fund, \$40,000 advanced to the COVID-19 Enhanced Operations Fund, and \$1,000 advanced to the Public Health Workforce Fund to provide working capital for operations.

Transfers

During 2021, the District transferred \$10,000 from the General Fund to the Private Water Special Revenue Fund.

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property Taxes	\$804,672		\$804,672
Charges for Services	134,842	\$10,816	145,658
Fines, Licenses and Permits		234,378	234,378
Intergovernmental	136,968	899,413	1,036,381
Contributions	9,365	25,900	35,265
Reimbursements	5,164		5,164
Miscellaneous	22,199		22,199
<i>Total Cash Receipts</i>	<u>1,113,210</u>	<u>1,170,507</u>	<u>2,283,717</u>
Cash Disbursements			
Current:			
Health:			
Salaries	364,162	483,484	847,646
Supplies	10,928	24,057	34,985
Equipment/Repairs	8,418	6,777	15,195
Contract Services	56,212	43,199	99,411
Telephone	9,691	5,600	15,291
Travel	2,039	4,272	6,311
Advertising	321		321
Rent	63,575	39,379	102,954
FICA	303		303
Insurance	144,334	153,985	298,319
Public Employees Retirement	46,102	69,023	115,125
Remittances to State	57,555	15,154	72,709
Settlement Deductions	26,885		26,885
Other	15,493	256,870	272,363
<i>Total Cash Disbursements</i>	<u>806,018</u>	<u>1,101,800</u>	<u>1,907,818</u>
<i>Excess of Receipts Over Disbursements</i>	<u>307,192</u>	<u>68,707</u>	<u>375,899</u>
Other Financing Receipts (Disbursements)			
Transfers In	4,000	5,000	9,000
Transfers Out	(9,000)		(9,000)
Advances In	6,000	2,000	8,000
Advances Out	(2,000)	(6,000)	(8,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>1,000</u>	
<i>Net Change in Fund Cash Balances</i>	306,192	69,707	375,899
<i>Fund Cash Balances, January 1</i>	<u>1,020,822</u>	<u>168,953</u>	<u>1,189,775</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,327,014</u></u>	<u><u>\$238,660</u></u>	<u><u>\$1,565,674</u></u>

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

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Defiance County General Health District, Defiance County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include recording of vital statistics, investigations of food service facilities, water wells, sewers, campgrounds, swimming pools, immunization clinics, inspections and they act upon various complaints made to the District Board of Health concerning the health and welfare of the County.

Jointly Governed Organization and Public Entity Risk Pool

The District participates in a jointly governed organization, the Public Health Services Council of Ohio, and a public entity risk pool, the Public Entities Pool of Ohio (PEP). Notes 6 and 7 to the financial statements provide additional information for these entities. 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 which are all organized on a fund type basis.

Fund Accounting

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

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

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

Water Pollution Control Loan (WPCL) Fund This is a state grant fund that accounts for the Water Pollution Control Loan program, which provides financial and technical assistance for wastewater infrastructure and restoration projects.

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.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020, follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,048,330	\$1,120,210	\$71,880
Special Revenue	752,942	1,182,507	429,565
Total	\$1,801,272	\$2,302,717	\$501,445

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$997,209	\$816,527	\$180,682
Special Revenue	1,123,177	1,110,291	12,886
Total	\$2,120,386	\$1,926,818	\$193,568

The Health Termination Fund is legally budgeted as a separate Special Revenue Fund; however, this fund is considered part of the General Fund for financial reporting purposes thus the General Fund budgetary statement will be lower and the Special Revenue Fund budgetary statement will be higher for actual receipts and disbursements for in the amounts of \$4,000 and \$1,491, respectively. In addition, General and Special Revenue Funds actual receipts and disbursements will be higher on the budgetary statement in the amount of \$1,000 for advances repaid within 2020.

Note 4 – Deposits and Investments

As required by the Ohio Revised Code, the Defiance 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 – Property Taxes

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 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.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

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.

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

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

	<u>2020</u>
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

Note 7 – Jointly Governed Organization

The District is a member of the Public Health Services Council of Ohio (the Council). The Council is a jointly governed organization created under the provisions of Chapter 167 of the Ohio Revised Code formed to coordinate the powers and duties of the member Boards to better serve and benefit public health in each of the Council’s counties. The Council is made up of seven local member Boards of Health in Defiance, Fulton, Henry, Paulding, Putnam, Williams, and Wood Counties. The Council is governed by a Board of Directors consisting of the Health Commissioner (or appointed designee) from each of the participating Boards of Health. Each member County Board may cast a single vote on any Council meeting business that affects the services provided for the member Boards. Each member Board provides resources to the Council based on a membership fee and any participating County can individually elect to purchase services from the Council. The Board of Directors exercise total control over the operation of the Council including budgeting, contracting, purchasing, and designating management. The Council has retained the Mid East Ohio Regional Council (MEORC) to perform fiscal responsibilities for the Council. The District has no ongoing financial interest or responsibility for the Council. In 2020, the District paid membership dues of \$5,000 to the Council. Financial information can be obtained from Cathy Henthorn, Director of Financial Operations of MEORC, 310 Lincoln Avenue, Montpelier, Ohio 43543.

Note 8 – Defined Benefit Pension Plans

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.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2020.

Social Security

The District's board members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The District contributed an amount equal to 6.2 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2020. The portion of employer contributions allocated to health care for members in the Member-Directed Plan was 4.0 percent during calendar year 2020.

Note 10 – 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.

Note 11 – Fund Balances

The fund balance of Special Revenue Funds is restricted.

Note 12 – COVID-19

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

Note 13 – Change in Accounting Principle

For 2020, the District has made a change to their cash basis reporting model. This change includes removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Government Fund Types.

**DEFIANCE COUNTY GENERAL HEALTH DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 14 – Interfund Balances

Advances

During 2020, the following advances were made:

	<u>Amount</u>
<u>Advances from the General Fund to:</u>	
Safe Communities Fund	\$2,000
 <u>Advances to the General Fund from:</u>	
Public Health Emergency Preparedness (PHEP) Fund	<u>6,000</u>
 Total Advances	<u><u>\$8,000</u></u>

Outstanding advances due to the General Fund at December 31, 2020, consisted of \$13,450 advanced to the Safe Communities Fund, \$29,000 advanced to the Women, Infants, and Children (WIC) Fund, and \$12,000 advanced to the Public Health Emergency Preparedness (PHEP) Fund to provide working capital for operations.

Transfers

During 2020, the following transfers were made:

	<u>Amount</u>
<u>Transfers from the General Fund to:</u>	
Health Termination Fund (reported within the General Fund)	\$4,000
Private Water Fund	<u>5,000</u>
 Total Transfers	<u><u>\$9,000</u></u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.



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

Defiance County General Health District
Defiance County
1300 East Second Street, Suite 100
Defiance, Ohio 43512-2484

To the Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of Defiance County General Health District, Defiance County, Ohio (the District) and have issued our report thereon dated October 14, 2022, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 14, 2022

OHIO AUDITOR OF STATE KEITH FABER



DEFIANCE COUNTY GENERAL HEALTH DISTRICT

DEFIANCE 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 11/10/2022

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