

TUSCARAWAS COUNTY HEALTH DEPARTMENT

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2016





Dave Yost • Auditor of State

Board of Health
Tuscarawas County Health Department
897 East Iron Avenue
Dover, Ohio 44622

We have reviewed the *Independent Auditor's Report* of the Tuscarawas County Health Department, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tuscarawas County Health Department is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2017

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TUSCARAWAS COUNTY HEALTH DEPARTMENT
TUSCARAWAS COUNTY, OHIO
Audit Report
For the year ended December 31, 2016

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Tuscarawas County Health Department
Tuscarawas County
897 East Iron Avenue
Dover, Ohio 44622

To the Board of Health:

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 Tuscarawas County Health Department, Tuscarawas County (the Department) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Department'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 Department's internal control. Accordingly, we express no 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 Department 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 Department 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

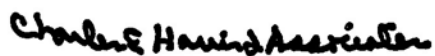
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Tuscarawas County Health Department, Tuscarawas County as of December 31, 2016, and its combined cash receipts and disbursements for the year 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 May 12, 2017, on our consideration of the Department'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 Department's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 12, 2017

**TUSCARAWAS COUNTY HEALTH DEPARTMENT
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2016**

	Governmental Fund Types			Total - (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Taxes	\$ 1,116,540	-	-	\$ 1,116,540
Charges for Services	783,149	\$ 822,763	-	1,605,912
Subdivisions	25,000	-	\$ 25,000	50,000
Fines, Licenses, and Permits	650	312,951	-	313,601
Grants	102,663	663,890	-	766,553
Intergovernmental	197,699	-	-	197,699
Miscellaneous	38,054	12,229	-	50,283
Total Cash Receipts	2,263,755	1,811,833	25,000	4,100,588
Cash Disbursements:				
Salaries	1,083,278	1,095,325	-	2,178,603
Fringe Benefits	350,634	431,348	-	781,982
Supplies	278,343	88,882	-	367,225
Remittance to State	73,286	117,986	-	191,272
Equipment	41,876	4,943	26,447	73,266
Contracts - Services	431,096	221,328	-	652,424
Travel	16,288	13,944	-	30,232
Other	27,275	8,217	-	35,492
Total Cash Disbursements	2,302,076	1,981,973	26,447	4,310,496
Total Cash Receipts Over/(Under) Cash Disbursements	(38,321)	(170,140)	(1,447)	(209,908)
Other Financing Sources/(Uses):				
Transfers-In	577	128,595	-	129,172
Transfers-Out	(128,595)	(577)	-	(129,172)
Advances-In	37,000	10,800	-	47,800
Advances-Out	(10,800)	(37,000)	-	(47,800)
Total Other Financing Sources/(Uses)	(101,818)	101,818	-	-
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	(140,139)	(68,322)	(1,447)	(209,908)
Fund Balance, January 1, 2016	3,677,981	836,631	33,229	4,547,841
Fund Cash Balance December 31, 2016				
Restricted	-	768,309	-	768,309
Committed	-	-	31,782	31,782
Assigned	291,015	-	-	291,015
Unassigned	3,246,827	-	-	3,246,827
Fund Balance, December 31, 2016	\$ 3,537,842	\$ 768,309	\$ 31,782	\$ 4,337,933

See accompanying Notes to the Financial Statements.

Tuscarawas County Health Department

Tuscarawas County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Tuscarawas County Health Department, Tuscarawas County, (the Department) as a body corporate and politic. A seven-member Board and a Health Commissioner govern the Department. The Department's services include communicable disease investigations, immunization clinics, inspections, tuberculosis screenings, public health nursing services and issues health-related licenses and permits.

Public Entity Risk Pool

The Department participates in a public entity risk pool (PEP). Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Department'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 Department 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 Department 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 Department 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 Department had the following significant Special Revenue Funds:

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

Alcohol Fund This fund is used to account for the purchase of services and Medicaid match for an alcohol and other drug prevention and outpatient treatment program.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Permanent Improvement Fund is the Department's only capital project fund.

Tuscarawas County Health Department
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2016 budgetary activity appears in Note 3.

Capital Assets

The Department 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.

Tuscarawas County Health Department
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance

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

Nonspendable The Department 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 Department 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 Department official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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 Department 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.

Tuscarawas County Health Department
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,971,205	\$2,264,332	\$293,127
Special Revenue	1,996,793	1,940,428	(56,365)
Capital Projects	25,000	25,000	0
2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$3,094,818	\$2,721,686	\$373,132
Special Revenue	2,537,932	2,113,098	424,834
Capital Projects	35,000	26,609	8,391

Note 4 - Deposits and Investments

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

Note 5 – Intergovernmental Funding

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

The County Commissioners serve as a special taxing authority for a special levy outside the ten-mill limitation to provide the Department with sufficient funds for health programs. The levy generated \$1,294,484 in 2016. The financial statements present these amounts as taxes and intergovernmental receipts.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$4,800 and \$6,000 advanced to Tobacco Use Prevention and Safe Communities Funds, respectively, to provide working capital for operations or projects.

Tuscarawas County Health Department
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management

Risk Pool Membership

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Department’s share of these unpaid claims collectible in future years is approximately \$16,000.

Tuscarawas County Health Department
Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (continued)

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

<u>2016 Contributions to PEP</u> \$25,844

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Contingent Liabilities

The Department may be a defendant in lawsuits. Although management cannot presently determine the outcome of any lawsuit, management believes that the resolution of these matters will not materially adversely affect the Department's financial condition.

Amounts grantor agencies pay to the Department are subject to audit and adjustment by the grantor, principally the state and 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.

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Certified Public Accountants

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

Tuscarawas County Health Department
Tuscarawas County
897 East Iron Avenue
Dover, Ohio 44622

To the Board of Health:

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 Tuscarawas County Health Department, Tuscarawas County, (the Department) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated May 12, 2017, wherein we noted the Department 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 Department'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 Department'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 Department's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

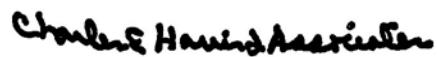
As part of reasonably assuring whether the Department's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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*.

Tuscarawas County Health Department
Tuscarawas County
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Department's management in a separate letter dated May 12, 2017.

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 Department's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

May 12, 2017

TUSCARAWAS COUNTY HEALTH DEPARTMENT
Tuscarawas County
Schedule of Prior Audit Findings
December 31, 2016

The prior report, for the year ending December 31, 2015, reported no material citations or recommendations.

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Dave Yost • Auditor of State

TUSCARAWAS COUNTY HEALTH DEPARTMENT

TUSCARAWAS 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
SEPTEMBER 14, 2017**