

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017-2016



Dave Yost • Auditor of State

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY
DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Cambridge-Guernsey County Health Department
Guernsey County
326 Highland Avenue
Cambridge, Ohio 43725

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 Cambridge-Guernsey County Health Department, Guernsey County, Ohio (the Department), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 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 1 of the financial statements, the Department prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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

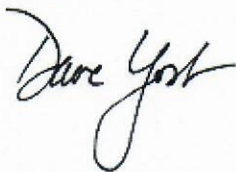
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Cambridge-Guernsey County Health Department, Guernsey County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 22, 2018

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Taxes	\$837,896	\$0	\$837,896
Charges for Services	166,325	98,314	264,639
Fines, Licenses and Permits	80,277	104,935	185,212
Intergovernmental:			
Grants	0	337,766	337,766
Other	43,149	0	43,149
Contractual Services	75,500	0	75,500
Other	12,766	0	12,766
<i>Total Cash Receipts</i>	<u>1,215,913</u>	<u>541,015</u>	<u>1,756,928</u>
Cash Disbursements			
Current:			
Health:			
Salary	498,841	482,973	981,814
Fringe	123,152	50,886	174,038
Hospitalization	147,740	2,080	149,820
Contract	83,962	9,937	93,899
Supplies	53,029	28,393	81,422
Equipment/Capital	30,381	12,399	42,780
Remittances to State	0	20,978	20,978
Other Expenses	83,378	10,857	94,235
<i>Total Cash Disbursements</i>	<u>1,020,483</u>	<u>618,503</u>	<u>1,638,986</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>195,430</u>	<u>(77,488)</u>	<u>117,942</u>
Other Financing Receipts (Disbursements)			
Advances In	15,345	15,345	30,690
Advances Out	(15,345)	(15,345)	(30,690)
Transfers In	0	73,000	73,000
Transfers Out	(73,000)	0	(73,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(73,000)</u>	<u>73,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	122,430	(4,488)	117,942
<i>Fund Cash Balances, January 1</i>	<u>936,097</u>	<u>126,569</u>	<u>1,062,666</u>
Fund Cash Balances, December 31			
Restricted	0	103,230	103,230
Assigned	1,058,527	18,851	1,077,378
<i>Fund Cash Balances, December 31</i>	<u>\$1,058,527</u>	<u>\$122,081</u>	<u>\$1,180,608</u>

See accompanying notes to the basic financial statements.

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**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Department 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 § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

C. Deposits and Investments

As required by the Ohio Revised Code, the Guernsey 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.

D. Fund Accounting

The Department uses fund accounting to segregate cash and investments that are restricted as to use. The Department classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

Family Planning Fund - This fund receives monies from fees collected for services provided and levy funding based on amounts approved by the Board of Health.

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

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Public Health Infrastructure Grant Fund - This fund receives federal grant money to address bioterrorism and other public health threats and emergencies at the health department level.

Reproductive Wellness and Health Program Fund - This fund receives federal grant money to provide women health services.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. 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.

3. 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 2017 budgetary activity appears in Note 2.

F. Fund Balance

Fund balance is divided into three 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:

1. 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.

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

3. 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.

G. Property, Plant, and Equipment

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

H. 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.

2. Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,095,629	\$1,231,258	\$135,629
Special Revenue	591,381	629,360	37,979
Total	<u>\$1,687,010</u>	<u>\$1,860,618</u>	<u>\$173,608</u>

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

2. Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,031,726	\$1,188,111	\$843,615
Special Revenue	717,949	642,698	75,251
Total	<u>\$2,749,675</u>	<u>\$1,830,809</u>	<u>\$918,866</u>

3. Intergovernmental Funding and Property Tax Funding

The Department was combined with the City of Cambridge Health Department in 1949, under Ohio Revised Code § 3709.07. The City contributes an annual amount to the Cambridge-Guernsey County Health Department for operations. The financial statements present these amounts as intergovernmental receipts.

The Guernsey County Commissioners serve as the taxing authority for two half-mill special levies outside the ten-mill limitation to provide the Department with sufficient funds for health programs. The levy generated \$837,896 in 2017. The financial statements present these amounts as property taxes. On November 3, 2009 the 6 year levy was passed as a replacement levy with collection beginning in 2011. On November 8, 2011 the 10 year levy was passed as a replacement levy with collection beginning 2013. On March 15, 2016 the 6 year levy was passed as a renewal levy with collection beginning with the 2016 tax duplicate.

4. 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. In 2017, 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, 2017.

5. Risk Management

Commercial Insurance

The Department has obtained commercial insurance for the following risks:

- Errors and omissions.

The Department also provides health and life insurance coverage to employees through a private carrier.

Risk Pool Membership

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

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

5. Risk Management (Continued)

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, 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 government.

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.

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

At December 31, 2017, respectively, the liabilities above include approximately \$11.8 million estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased from 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 Department's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>2017 Contributions to PEP</u> <u>\$5,930</u>
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**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

5. Risk Management (Continued)

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.

6. Contingent Liabilities

Amounts grantor agencies pay to the Department 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.

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Taxes	\$782,410	\$0	\$782,410
Charges for Services	181,070	94,652	275,722
Fines, Licenses and Permits	69,237	103,951	173,188
Intergovernmental:			
Grants	0	304,488	304,488
Other	54,678	0	54,678
Contractual Services	17,979	0	17,979
Other	26,848	1,707	28,555
<i>Total Cash Receipts</i>	<u>1,132,222</u>	<u>504,798</u>	<u>1,637,020</u>
Cash Disbursements			
Current:			
Health:			
Salary	471,258	488,876	960,134
Fringe	111,128	69,469	180,597
Hospitalization	129,522	4,980	134,502
Contract	77,566	10,388	87,954
Supplies	43,288	23,660	66,948
Equipment/Capital	3,373	0	3,373
Remittances to State	0	20,240	20,240
Other Expenses	83,942	38,807	122,749
<i>Total Cash Disbursements</i>	<u>920,077</u>	<u>656,420</u>	<u>1,576,497</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>212,145</u>	<u>(151,622)</u>	<u>60,523</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	73,000	73,000
Transfers Out	(73,000)	0	(73,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(73,000)</u>	<u>73,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	139,145	(78,622)	60,523
<i>Fund Cash Balances, January 1</i>	<u>796,952</u>	<u>205,191</u>	<u>1,002,143</u>
Fund Cash Balances, December 31			
Restricted	0	114,455	114,455
Assigned	936,097	12,114	948,211
<i>Fund Cash Balances, December 31</i>	<u>\$936,097</u>	<u>\$126,569</u>	<u>\$1,062,666</u>

See accompanying notes to the basic financial statements.

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**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Department 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 § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

C. Deposits and Investments

As required by the Ohio Revised Code, the Guernsey 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.

D. Fund Accounting

The Department uses fund accounting to segregate cash and investments that are restricted as to use. The Department classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

Family Planning Fund - This fund receives monies from fees collected for services provided and levy funding based on amounts approved by the Board of Health.

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

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Public Health Infrastructure Grant Fund - This fund receives federal grant money to address bioterrorism and other public health threats and emergencies at the health department level.

Reproductive Wellness and Health Program Fund - This fund receives federal grant money to provide women health services.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. 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.

3. 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 2.

F. Fund Balance

Fund balance is divided into three 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:

1. 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.

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

3. 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.

G. Property, Plant, and Equipment

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

H. 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.

2. 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	\$1,088,714	\$1,132,222	\$43,508
Special Revenue	575,482	577,798	2,316
Total	<u>\$1,664,196</u>	<u>\$1,710,020</u>	<u>\$45,824</u>

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

2. Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,885,667	\$1,046,918	\$838,749
Special Revenue	780,672	665,617	115,055
Total	<u>\$2,666,339</u>	<u>\$1,712,535</u>	<u>\$953,804</u>

3. Intergovernmental Funding and Property Tax Funding

The Department was combined with the City of Cambridge health Department in 1949, under Ohio Revised Code § 3709.07. The City contributes an annual amount to the Cambridge-Guernsey County Health Department for operations. The financial statements present these amounts as intergovernmental receipts.

The Guernsey County Commissioners serve as the taxing authority for two half-mill special levies outside the ten-mill limitation to provide the Department with sufficient funds for health programs. The levy generated \$782,410 in 2016. The financial statements present these amounts as property taxes. On November 3, 2009 the 6 year levy was passed as a replacement levy with collection beginning in 2011. On November 8, 2011 the 10 year levy was passed as a replacement levy with collection beginning 2013. On March 15, 2016 the 6 year levy was passed as a renewal levy with collection beginning with the 2016 tax duplicate.

4. 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. In 2017, 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.

5. Risk Management

Commercial Insurance

The Department has obtained commercial insurance for the following risks:

- Errors and omissions.

The Department also provides health and life insurance coverage to employees through a private carrier.

Risk Pool Membership

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

**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

5. Risk Management (Continued)

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 auditor's) 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, respectively, the liabilities above include approximately \$12.0 million estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 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 \$4,000.

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

<u>2016 Contributions to PEP</u> <u>\$6,680</u>
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**CAMBRIDGE-GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

5. Risk Management (Continued)

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.

6. Contingent Liabilities

Amounts grantor agencies pay to the Department 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.



Dave Yost • Auditor of State

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

Cambridge-Guernsey Health Department
Guernsey County
326 Highland Avenue
Cambridge, Ohio 43725

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 Cambridge-Guernsey Health Department, Guernsey County, Ohio (the Department), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 22, 2018 wherein we noted the Entity followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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*.

53 Johnson Road, The Plains, Ohio 45780-1231
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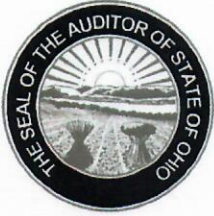
Purpose of this Report

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 report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with a large initial "D" and a stylized "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 22, 2018



Dave Yost • Auditor of State

CAMBRIDGE – GUERNSEY COUNTY HEALTH DEPARTMENT
GUERNSEY 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 6, 2018