

TUSCARAWAS COUNTY
HEALTHCARE CONSORTIUM
(A COMPONENT UNIT OF TUSCARAWAS
COUNTY)
TUSCARAWAS COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022



Rea & associates

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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Directors
Tuscarawas County Healthcare Consortium
125 East High Avenue
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the Tuscarawas County Healthcare Consortium, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2022 through December 31, 2022. 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 Healthcare Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 20, 2023

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Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
Table of Contents
December 31, 2022

| | <u>Page</u> |
|---|-------------|
| Independent Auditor’s Report..... | 1 |
| Management’s Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Statement of Net Position..... | 8 |
| Statement of Revenues, Expenses, and Changes in Net Position | 9 |
| Statement of Cash Flows | 10 |
| Notes to the Basic Financial Statements..... | 11 |
| Required Supplemental Information: | |
| Loss Development Information | 19 |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 21 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
125 East High Avenue
New Philadelphia, OH 44663

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Tuscarawas County Healthcare Consortium, Tuscarawas County, Ohio, (the "Consortium"), a component unit of Tuscarawas County, Ohio, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Consortium, as of December 31, 2022, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (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 Consortium 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Consortium'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 opinion. 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 *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 Consortium'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 Consortium'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Loss Development Information*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023, on our consideration of the Consortium's internal control over financial reporting and on 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 Consortium'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 Consortium's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
May 25, 2023

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Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The management's discussion and analysis of the Tuscarawas County Healthcare Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the Consortium's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlight for 2022 is as follows:

- In total, net position decreased \$796,508, which represents a 214 percent decrease from 2021.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses, and Changes in Net Position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *Statement of Cash Flows* provides information about cash provided by or used in various activities of the Consortium.

Reporting the Consortium's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* answer this question. These statements include *all assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Consortium's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The Statement of Cash Flows provides information about how the Consortium finances and meets the cash flow needs of its operations.

The Consortium uses enterprise presentation for all of its activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Table 1 provides a summary of the Consortium's net position for 2022 compared to 2021.

Table 1
Net Position

| | 2022 | 2021 | Change |
|---------------------|----------------|--------------|--------------|
| Assets | | | |
| Current Assets | 332,704 | 1,063,309 | (730,605) |
| Liabilities | | | |
| Current Liabilities | 1,500,911 | 1,435,008 | 65,903 |
| Net Position | | | |
| Unrestricted | \$ (1,168,207) | \$ (371,699) | \$ (796,508) |

Current assets decreased in 2022 due to decrease in cash and prepaid items. Claims and related fees exceeded members' premium revenue, resulting in a decrease in cash. Prepaid items decrease is due to the Consortium administration fees being paid on their due date which was after the fiscal year end, resulting in no prepayments outstanding at year end. Current liabilities increased primarily due to the increase in claims payable.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

Table 2 shows the changes in net position for 2022 and 2021.

Table 2
Changes in Net Position

| | 2022 | 2021 | Change |
|---------------------------------------|-----------------------|---------------------|---------------------|
| Operating Revenues | | | |
| Participant Contributions | \$ 8,705,603 | \$ 8,005,621 | \$ 699,982 |
| Other | 230,170 | 238,737 | (8,567) |
| <i>Total Operating Revenues</i> | <u>8,935,773</u> | <u>8,244,358</u> | <u>691,415</u> |
| Operating Expenses | | | |
| Contractual Services | 926,869 | 900,696 | 26,173 |
| Materials and Supplies | 56 | 228 | (172) |
| Claims | 8,802,807 | 7,680,699 | 1,122,108 |
| Other | 3,836 | 3,632 | 204 |
| <i>Total Operating Expenses</i> | <u>9,733,568</u> | <u>8,585,255</u> | <u>1,148,313</u> |
| Non-Operating Revenues | | | |
| Interest | 1,287 | 111 | 1,176 |
| <i>Change in Net Position</i> | (796,508) | (340,786) | (455,722) |
| <i>Net Position Beginning of Year</i> | <u>(371,699)</u> | <u>(30,913)</u> | <u>(340,786)</u> |
| <i>Net Position End of Year</i> | <u>\$ (1,168,207)</u> | <u>\$ (371,699)</u> | <u>\$ (796,508)</u> |

The primary expenses for the Consortium are claims paid for medical, hospitalization, vision and prescription claims, and represents the largest percent of total operating expenses. The majority of the funding is premiums received from member subdivisions. The Consortium aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Participating revenues significantly increased during the year primarily due to contributions from COBRA and Tuscarawas County. Claims expense increased significantly in 2022. As a continuance from 2020, some elective procedures were postponed as the community was shut down. As the COVID restrictions lessened, more treatment was occurring. There has also been an increase in COVID related treatment and testing.

Contacting the Consortium's Financial Management

This financial report is designed to provide our member subdivisions, investors, and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Larry Lindberg, Tuscarawas County Auditor, Courthouse Annex, 125 East High Avenue, New Philadelphia, Ohio 44663 or by e-mail at lindberg@co.tuscarawas.oh.us.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Statement of Net Position
December 31, 2022

Assets

Current Assets:

| | |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 330,042 |
| Accounts Receivable | 2,662 |
| <i>Total Assets</i> | <u>332,704</u> |

Liabilities

Current Liabilities:

| | |
|--------------------------|------------------|
| Accounts Payable | 39,123 |
| Claims Payable | 1,362,212 |
| Unearned Revenue | 99,576 |
| <i>Total Liabilities</i> | <u>1,500,911</u> |

Net Position

| | |
|--------------|-----------------------|
| Unrestricted | <u>\$ (1,168,207)</u> |
|--------------|-----------------------|

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ending December 31, 2022

| | |
|---------------------------------------|-----------------------|
| Operating Revenues | |
| Participant Contributions | \$ 8,705,603 |
| Other | 230,170 |
| | 8,935,773 |
| <i>Total Operating Revenues</i> | <i>8,935,773</i> |
| Operating Expenses | |
| Contractual Services | 926,869 |
| Materials and Supplies | 56 |
| Claims | 8,802,807 |
| Other | 3,836 |
| | 9,733,568 |
| <i>Total Operating Expenses</i> | <i>9,733,568</i> |
| <i>Operating Loss</i> | <i>(797,795)</i> |
| Non-Operating Revenues | |
| Interest | 1,287 |
| | 1,287 |
| <i>Change in Net Position</i> | <i>(796,508)</i> |
| <i>Net Position Beginning of Year</i> | <i>(371,699)</i> |
| | (371,699) |
| <i>Net Position End of Year</i> | <i>\$ (1,168,207)</i> |
| | (1,168,207) |

See accompanying notes to the basic financial statements.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Statement of Cash Flows
For the Year Ending December 31, 2022

| | |
|---|----------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Members | \$ 8,669,971 |
| Cash Received from Other Operations | 210,885 |
| Cash Payments for Contractual Services | (816,683) |
| Cash Payments for Claims | (8,723,569) |
| Cash Payments for Materials and Supplies | (56) |
| Other Cash Payments | <u>(3,836)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>(663,288)</u> |
| Cash Flows from Investing Activities | |
| Interest | <u>1,287</u> |
| <i>Net Decrease in Cash and Cash Equivalents</i> | (662,001) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>992,043</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$ 330,042</u></u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | |
| Operating Loss | \$ (797,795) |
| Adjustments: | |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | (2,662) |
| Prepaid Items | 71,266 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 38,920 |
| Claims Payable | 79,238 |
| Unearned Revenue | <u>(52,255)</u> |
| <i>Net Cash Used for Operating Activities</i> | <u><u>\$ (663,288)</u></u> |

See accompanying notes to the basic financial statements.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 1: DESCRIPTION OF THE ENTITY

The Tuscarawas County Healthcare Consortium (the “Consortium”) is a legally separate entity organized under Ohio Revised Code Chapter 167. The Consortium was established on January 1, 2017, formed by certain political subdivisions located within Tuscarawas County, for the purpose of obtaining medical and hospitalization benefits for the employees of the members in the Consortium. Prior to becoming a separate entity, the activity of the Consortium was reported as an internal service fund of Tuscarawas County.

Some of the more significant provisions of the Consortium are as follows:

A. Board of Directors

The Consortium shall have a Board of Directors which shall, among other duties, determine the general policy of the Consortium. The Board of Directors shall consist of five members. Four members shall be appointed by the Tuscarawas County Commissioners and one member shall be appointed by the remaining members by majority vote. The Board of Directors shall include a Chairperson and Vice Chairperson. The election of the Chairperson and Vice Chairperson shall be made annually by the members of the Board of Directors at the first Directors’ meeting of the new fiscal year.

The term of the office shall be for two years beginning January 1 and ending December 31. A person appointed to serve as a Director on the Board shall remain office until (1) the Consortium receives evidence of the appointment of a successor, or (2) the effective time of the withdrawal from or termination of the member from the Consortium.

B. Termination of the Consortium

The Consortium shall be terminated upon majority vote of its members. In the event of termination, all assets must be first used to pay all debts and legal obligations of the Consortium. All assets remaining after the satisfaction of all legal obligations shall be distributed to members on a prorated basis as determined by their membership dues. No member of the Consortium shall be liable for any debt or obligation of the Consortium.

C. Withdrawal from Membership

A member may withdraw from membership in the Consortium by formal action of its governing board and upon six months written notice to the Consortium after such action. The withdrawing member shall become a non-voting member of the Consortium and if serving as a Director shall be deemed to have resigned as a Director upon such notice. Specifics governing the withdrawal of a Consortium member and the run out of all claims for such Consortium member are addressed in Section 10 of the Consortium Agreement.

D. Fiscal Agent

The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For 2022, the Tuscarawas County Auditor served as Fiscal Agent for the Consortium. The Fiscal Agent carries out the responsibilities of the Operating Fund and Reserve Fund, enters into contracts on behalf of the Consortium as authorized by the Board of Directors and carries out such other responsibilities as approved by the Board of Directors and agreed to by the Fiscal Agent. The Fiscal Agent is reimbursed for such costs incurred by it in carrying out its responsibilities as may be approved by the Board of Directors.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

E. Benefits

Member contributions are used to provide medical, hospitalization, prescription drug and vision insurance benefits as provided for in the Member's Plan Document and as established by law. The Board of Directors determines, at their discretion, the insurance benefits to be provided by or through the Consortium. Insurance limits, types of claims covered, eligibility for benefits and any deductibles shall be approved by the governing board of each member and shall be described in the Member's Plan Document. The Board of Directors determines, at their discretion, which insurance carriers and policies to utilize to provide benefits pursuant to the Consortium Agreement.

F. Operating Fund

The Operating Fund consists of all monthly premium contributions made to the Fiscal Agent in accordance with the Consortium Agreement. Interest earned on monies in the Operating Fund shall be credited to the Operating Fund.

The Fiscal Agent may use the Operating Fund for purposes such as, but not limited to:

1. Transfer funds to a third-party administrator for payment of claims;
2. Pay premiums of the Consortium's stop-loss insurance coverage; and
3. Pay fees of any third-party administrator, Fiscal Agent, consultants and lawyers.

G. Reserve Fund

Beginning January 1, 2020, the Board of Directors established a Reserve Fund, pursuant to the Consortium Agreement. Each member must contribute an amount equal to one percent of the monthly premium contributions. The Reserve Fund is maintained by the Fiscal Agent in a separate bank account, and interest earned on these monies is credited to the Reserve Fund. As of December 31, 2022 the Reserve Fund carried a balance of \$259,360.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Consortium's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Consortium are not misleading. On this basis, no governmental organizations other than the Consortium itself are included in the financial reporting entity. The Consortium is considered a component unit of Tuscarawas County for reporting purposes.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

B. Fund Accounting

The Consortium maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized at the time they are incurred.

D. Measurement Focus

The Consortium’s activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Consortium’s operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Consortium meets cash flow needs of its enterprise activity.

E. Unearned Revenue

Unearned revenues represent contributions paid in advance of the coverage date by members at December 31, 2022. The premiums will be recognized as revenue in the month to which they pertain.

F. Receivables and Contributions

All receivables are shown net of an allowance for uncollectible amounts, if any. Receivables are recorded as an asset in the period that they are earned. Receivables are written off when deemed uncollectible. The Consortium had \$2,662 in uncollectible amounts at December 31, 2022.

All members are required to remit monthly contributions to the Consortium, which are used to pay claims and administrative expenses. The monthly contribution is determined for each member in accordance with the number and age of covered employees and dependents and the prior loss experience of the respective member. Member contributions are recorded as revenue in the period that they are earned.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

G. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Consortium had no restricted net position at year end.

H. Operating Revenues and Expenses

The Consortium distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from participants' contributions for insurance coverage. Operating expenses for the Consortium include the payment of claims, materials and supplies, carrier stop loss premiums and administrative and other fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Budgetary Process

Each member subdivision of the Consortium is required by Ohio law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

J. Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Consortium considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Consortium had no investments at year end.

L. Implementation of New Accounting Principles

For the year ended December 31, 2022, the Consortium has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, a certain provision of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Component Unit Criteria and Deferred Compensation Plans*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Consortium's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraph 11b of GASB Statement No. 93 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the Consortium.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the Consortium.

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Consortium into three categories.

Active deposits are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Consortium, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Consortium, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

Deposits - At year-end, \$320,683 of the Consortium's bank balance was covered by the FDIC and the remaining \$9,359 was uninsured, but collateralized through the OPCS.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the Consortium will not be able to recover deposits or collateral securities that are in possession of an outside party.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

The Consortium has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the Consortium's financial institution was approved for a reduced collateral rate of 50 percent. The Consortium negotiated with their financial institution for a higher collateral rate of 102 percent on their accounts. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

NOTE 4: RISK MANAGEMENT

The Consortium is a jointly governed organization which acts as a governmental risk pool for health insurance (including prescription and vision) coverage for its 23 member subdivisions. The risk of loss for loss transfers from the member subdivisions to the Consortium upon payment of the monthly premium.

The Consortium employs the services of an outside consultant to assist them in administering the Consortium. The Consortium also uses Aultcare as their third party administrator.

No employer, employee, or person claiming benefit by or through an employee shall have any claim against the Consortium or any property of the Consortium. The rights and interest of employees and persons claiming by or through employees shall be limited receipt benefits offered by or through the Consortium in accordance with the Consortium Agreement. The Consortium purchases or otherwise provides for the benefit of itself, the Board of Directors and/or the Fiscal Agent such liability insurance with such limits of coverage as approved by the Board of Directors. Any member subdivision which withdraws from the Consortium pursuant to the Consortium Agreement has no claim to the Consortium's assets.

It is not necessary for each member subdivision to hold a reserve for Incurred But Not Reported (IBNR) claims. The IBNR information is presented by the Consortium as required by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, and is not available on an individual subdivision basis.

The Consortium is self-insured for member subdivision employee health insurance claims but maintains stop gap loss insurance with Aultcare for \$200,000 on an individual basis. The Consortium pays covered claims to service providers and recovers these costs from premium charges to member subdivisions based on calculations provided with the Consortium's consultant in conjunction with Aultcare, which is the third party administrator.

Tuscarawas County Healthcare Consortium

Tuscarawas County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

The claims liability of \$1,362,212 reported at December 31, 2022, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the Consortium's claims liability for 2021 and 2022 are as follows:

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Claims payable - beginning of year | \$ 1,282,974 | \$ 1,240,397 |
| Incurred claims and claim adjustments: | | |
| Provision for insured events of the current year | 8,989,097 | 8,594,874 |
| Change in provision for insured events of prior year | <u>(186,290)</u> | <u>(914,175)</u> |
| Total incurred claims and claim adjustments | <u>8,802,807</u> | <u>7,680,699</u> |
| Payments: | | |
| Claim payments attributable to claims of current year | 7,626,885 | 7,311,900 |
| Claim payments attributable to claims of prior years | <u>1,096,684</u> | <u>326,222</u> |
| Total payments | <u>8,723,569</u> | <u>7,638,122</u> |
| Claims payable - end of year | <u>\$ 1,362,212</u> | <u>\$ 1,282,974</u> |

NOTE 5: LITIGATION

The Consortium is not party to any legal proceedings that would, in the Consortium's opinion, have a material effect on the basic financial statements.

NOTE 6: SUBSEQUENT EVENT

In March 2023, the Consortium received approximately \$960,000 as part of Tuscarawas County's allocation of their American Rescue Plan Act (APRA) funds.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Required Supplementary Information
Loss Development Information

The following table illustrates how the Consortium's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each year's gross earned premiums and reported investment income.

- (2) This line shows each year's other operating costs of the Consortium including overhead and loss adjustment expenses not allocable to individual claims.

- (3) This line shows the Consortium's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).

- (4) This section shows the cumulative net amounts paid as of the end of the accident year.

- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).

- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information for the years ended December 31, 2017, 2018, 2019, 2020, 2021 and 2022 is provided on the next page.

Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
(A Component Unit of Tuscarawas County)
Required Supplementary Information
Loss Development Information

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. Premiums and investment income | \$ 7,700,530 | \$ 7,860,409 | \$ 7,829,764 | \$ 8,059,891 | \$ 8,335,611 | \$ 8,882,143 |
| 2. Unallocated expenses | 831,260 | 722,034 | 686,676 | 845,202 | 802,458 | 775,722 |
| 3. Estimated losses and expenses, end of year | 7,191,553 | 8,536,129 | 8,092,057 | 7,598,698 | 8,594,874 | 8,989,097 |
| 4. Paid, cumulative as of: | | | | | | |
| End of accident year | 6,868,497 | 6,916,471 | 6,800,581 | 6,362,482 | 7,311,900 | 7,626,885 |
| One year later | 7,152,772 | 7,390,617 | 7,743,978 | 6,976,978 | 8,431,338 | |
| Two years later | 7,152,772 | 7,374,027 | 7,743,660 | 6,976,978 | | |
| Three years later | 7,152,772 | 7,374,027 | | | | |
| Four years later | 7,152,772 | 7,374,027 | | | | |
| Five years later | 7,152,772 | | | | | |
| 5. Re-estimated losses and expense: | | | | | | |
| End of accident year | 7,191,553 | 8,536,129 | 8,092,057 | 7,598,698 | 8,594,874 | 8,989,097 |
| One year later | 6,550,235 | 8,173,849 | 8,139,830 | 7,558,244 | 8,955,716 | |
| Two years later | 6,128,913 | 7,745,299 | 7,935,539 | 7,331,771 | | |
| Three years later | 7,343,123 | 7,569,082 | 7,832,374 | | | |
| Four years later | 7,279,112 | 7,498,080 | | | | |
| Five years later | 7,279,112 | | | | | |
| 6. Increase (decrease) in estimated losses and expenses from end of accident year | 87,559 | (1,038,049) | (259,683) | (266,927) | 360,842 | - |

Note: Schedule accumulates up to 10 years. 2017 was the first year of existence for the Consortium.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Tuscarawas County Healthcare Consortium
Tuscarawas County, Ohio
125 East High Avenue
New Philadelphia, OH 44663

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Tuscarawas County Healthcare Consortium, Tuscarawas County, Ohio (Consortium), a component unit of Tuscarawas County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Consortium’s basic financial statements, and have issued our report thereon dated May 25, 2023.

Report on Internal Control over Financial Reporting

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

The 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 Consortium'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 Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
May 25, 2023

OHIO AUDITOR OF STATE KEITH FABER



TUSCARAWAS COUNTY HEALTHCARE CONSORTIUM

TUSCARAWAS 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 7/6/2023

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