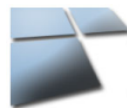


Ross County Health District
Ross County
Single Audit
For the Year Ended December 31, 2017



Millhuff-Stang

CERTIFIED PUBLIC ACCOUNTANT

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Dave Yost • Auditor of State

Board of Health
Ross County Health District
150 East Second Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Ross County Health District, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 Ross County Health District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 24, 2018

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Ross County Health District
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For the Year Ended December 31, 2017

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Independent Auditor's Report

Board of Health
Ross County Health District
Ross County
150 East Second Street
Chillicothe, Ohio 45601

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ross County Health District, Ross County, Ohio (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash basis of accounting Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross County Health District, Ross County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General, Ross County WIC, WIC Benefit Reserve, MAC, and Help Me Grow Home Visiting Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 22, 2018

Ross County Health District
Statement of Net Position - Cash Basis
December 31, 2017

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash | \$1,070 |
| Equity in County Treasury | <u>419,635</u> |
| Total Assets | <u><u>\$420,705</u></u> |
| Net Position | |
| Restricted For: | |
| Other Purposes | \$462,642 |
| Unrestricted (Deficit) | <u>(41,937)</u> |
| Total Net Position | <u><u>\$420,705</u></u> |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

| | Program Cash Receipts | | | Net Receipts (Disbursements) and Changes in Net Position |
|--------------------------------------|-----------------------|--|--|---|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Current: | | | | |
| Children's Health | \$603,283 | \$0 | \$637,710 | \$34,427 |
| Environmental Health | 335,248 | 292,748 | 27,900 | (14,600) |
| Community Health | 528,881 | 111,489 | 126,501 | (290,891) |
| Administrative Services | 580,264 | 201,011 | 0 | (379,253) |
| Home Health | 437,294 | 498,238 | 0 | 60,944 |
| Community Preparedness | 84,223 | 0 | 132,918 | 48,695 |
| Capital Outlay | 34,254 | 0 | 0 | (34,254) |
| Total Governmental Activities | \$2,603,447 | \$1,103,486 | \$925,029 | (574,932) |
| | | General Receipts | | |
| | | Grants and Entitlements not Restricted to Specific Programs | | 144,436 |
| | | Miscellaneous | | 25,029 |
| | | Total General Receipts | | 169,465 |
| | | Special Item-Sale of Home Health Care Division | | 290,000 |
| | | Change in Net Position | | (115,467) |
| | | Net Position Beginning of Year | | 536,172 |
| | | Net Position End of Year | | \$420,705 |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

| | General | Ross County WIC | WIC Benefit Reserve | MAC | Help Me Grow Home Visiting | Other Governmental Funds | Total Governmental Funds |
|----------------------------|-----------------|-----------------------|---------------------------|------------------|----------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash | \$1,070 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,070 |
| Equity in County Treasury | 20,155 | (54,462) | 47,287 | 140,024 | 153,804 | 112,827 | 419,635 |
| Total Assets | \$21,225 | (\$54,462) | \$47,287 | \$140,024 | \$153,804 | \$112,827 | \$420,705 |
| Fund Balances | | | | | | | |
| Restricted | \$0 | \$0 | \$47,287 | \$140,024 | \$153,804 | \$121,527 | \$462,642 |
| Unassigned (Deficit) | 21,225 | (54,462) | 0 | 0 | 0 | (8,700) | (41,937) |
| Total Fund Balances | \$21,225 | (\$54,462) | \$47,287 | \$140,024 | \$153,804 | \$112,827 | \$420,705 |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

| | General | Ross County WIC | WIC Benefit Reserve | MAC | Help Me Grow Home Visiting | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------------|---------------------------|---------------|----------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | | | |
| Intergovernmental | \$144,436 | \$532,302 | \$13,234 | \$49,739 | \$10,365 | \$319,389 | \$1,069,465 |
| Charges for Services | 837,802 | 0 | 0 | 0 | 0 | 265,684 | 1,103,486 |
| Miscellaneous | 25,029 | 0 | 0 | 0 | 0 | 0 | 25,029 |
| Total Receipts | 1,007,267 | 532,302 | 13,234 | 49,739 | 10,365 | 585,073 | 2,197,980 |
| Disbursements | | | | | | | |
| Current: | | | | | | | |
| Children's Health | 0 | 525,850 | 8,625 | 6,995 | 9,101 | 52,712 | 603,283 |
| Environmental Health | 105,560 | 0 | 0 | 0 | 0 | 229,688 | 335,248 |
| Community Health | 394,219 | 0 | 0 | 0 | 0 | 134,662 | 528,881 |
| Administrative Services | 580,264 | 0 | 0 | 0 | 0 | 0 | 580,264 |
| Home Health | 437,294 | 0 | 0 | 0 | 0 | 0 | 437,294 |
| Community Preparedness | 0 | 0 | 0 | 3,169 | 0 | 81,054 | 84,223 |
| Capital Outlay | 30,698 | 0 | 0 | 0 | 0 | 3,556 | 34,254 |
| Total Disbursements | 1,548,035 | 525,850 | 8,625 | 10,164 | 9,101 | 501,672 | 2,603,447 |
| Receipts Over (Under) Disbursements | (540,768) | 6,452 | 4,609 | 39,575 | 1,264 | 83,401 | (405,467) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 1,734 | 0 | 0 | 0 | 0 | 4,061 | 5,795 |
| Transfers Out | (4,061) | 0 | 0 | 0 | 0 | (1,734) | (5,795) |
| Total Other Financing Sources (Uses) | (2,327) | 0 | 0 | 0 | 0 | 2,327 | 0 |
| Special Item-Sale of Home Health Care Division | 290,000 | 0 | 0 | 0 | 0 | 0 | 290,000 |
| Net Change in Fund Balances | (253,095) | 6,452 | 4,609 | 39,575 | 1,264 | 85,728 | (115,467) |
| Beginning (Deficit) Fund Balances, January 1 | 274,320 | (60,914) | 42,678 | 100,449 | 152,540 | 27,099 | 536,172 |
| Ending (Deficit) Fund Balances, December 31 | \$21,225 | (\$54,462) | \$47,287 | \$140,024 | \$153,804 | \$112,827 | \$420,705 |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$13,000 | \$144,436 | \$144,436 | \$0 |
| Charges for Services | 210,000 | 201,009 | 201,009 | 0 |
| Miscellaneous | 0 | 25,029 | 25,029 | 0 |
| Total Receipts | 223,000 | 370,474 | 370,474 | 0 |
| Disbursements | | | | |
| Current: | | | | |
| Administrative Services | 575,845 | 580,264 | 580,264 | 0 |
| Capital Outlay | 20,000 | 30,698 | 30,698 | 0 |
| Total Disbursements | 595,845 | 610,962 | 610,962 | 0 |
| Receipts Under Disbursements | (372,845) | (240,488) | (240,488) | 0 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 310,750 | 67,678 | 67,678 | 0 |
| Transfers Out | (559,126) | (365,287) | (365,287) | 0 |
| Total Other Financing Sources (Uses) | (248,376) | (297,609) | (297,609) | 0 |
| Special Item-Sale of Home Health Care Division | 0 | 290,000 | 290,000 | 0 |
| Net Change in Fund Balances | (621,221) | (248,097) | (248,097) | 0 |
| Beginning Fund Balances, January 1 | 269,322 | 269,322 | 269,322 | 0 |
| Ending Fund Balances, December 31 | (\$351,899) | \$21,225 | \$21,225 | \$0 |

See the accompanying notes to the basic financial statements.

Ross County Health District
*Statement of Receipts, Disbursements and
 Changes in Fund Balance - Budget and Actual - Budgetary Basis*
 Ross County WIC Fund
 For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$450,235 | \$532,302 | \$532,302 | \$0 |
| Total Receipts | 450,235 | 532,302 | 532,302 | 0 |
| Disbursements | | | | |
| Current: | | | | |
| Children's Health | 450,235 | 525,850 | 525,850 | 0 |
| Total Disbursements | 450,235 | 525,850 | 525,850 | 0 |
| Net Change in Fund Balances | 0 | 6,452 | 6,452 | 0 |
| Beginning Fund Balances, January 1 | (60,914) | (60,914) | (60,914) | 0 |
| Ending Fund Balances, December 31 | (\$60,914) | (\$54,462) | (\$54,462) | \$0 |

See the accompanying notes to the basic financial statements.

Ross County Health District
*Statement of Receipts, Disbursements and
 Changes in Fund Balance - Budget and Actual - Budgetary Basis
 WIC Benefit Reserve Fund
 For the Year Ended December 31, 2017*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$0 | \$13,234 | \$13,234 | \$0 |
| Total Receipts | 0 | 13,234 | 13,234 | 0 |
| Disbursements | | | | |
| Current: | | | | |
| Children's Health | 0 | 8,625 | 8,625 | 0 |
| Total Disbursements | 0 | 8,625 | 8,625 | 0 |
| Net Change in Fund Balances | 0 | 4,609 | 4,609 | 0 |
| Beginning Fund Balances, January 1 | 42,678 | 42,678 | 42,678 | 0 |
| Ending Fund Balances, December 31 | \$42,678 | \$47,287 | \$47,287 | \$0 |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budgetary Basis
MAC Fund
For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$0 | \$49,739 | \$49,739 | \$0 |
| Total Receipts | 0 | 49,739 | 49,739 | 0 |
| Disbursements | | | | |
| Current: | | | | |
| Children's Health | 0 | 6,995 | 6,995 | 0 |
| Community Preparedness | 0 | 3,169 | 3,169 | 0 |
| Total Disbursements | 0 | 10,164 | 10,164 | 0 |
| Net Change in Fund Balances | 0 | 39,575 | 39,575 | 0 |
| Beginning Fund Balances, January 1 | 100,449 | 100,449 | 100,449 | 0 |
| Ending Fund Balances, December 31 | \$100,449 | \$140,024 | \$140,024 | \$0 |

See the accompanying notes to the basic financial statements.

Ross County Health District
*Statement of Receipts, Disbursements and
 Changes in Fund Balance - Budget and Actual - Budgetary Basis
 Help Me Grow Home Visiting Fund
 For the Year Ended December 31, 2017*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$60,000 | \$10,365 | \$10,365 | \$0 |
| Total Receipts | 60,000 | 10,365 | 10,365 | 0 |
| Disbursements | | | | |
| Current: | | | | |
| Children's Health | 57,704 | 9,101 | 9,101 | 0 |
| Total Disbursements | 57,704 | 9,101 | 9,101 | 0 |
| Net Change in Fund Balances | 2,296 | 1,264 | 1,264 | 0 |
| Beginning Fund Balances, January 1 | 152,540 | 152,540 | 152,540 | 0 |
| Ending Fund Balances, December 31 | \$154,836 | \$153,804 | \$153,804 | \$0 |

See the accompanying notes to the basic financial statements.

Ross County Health District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2017

| | <u>Agency</u> |
|--|------------------------|
| Assets | |
| Equity in County Treasury | <u>\$20,645</u> |
| Total Assets | <u><u>\$20,645</u></u> |
| Net Position | |
| Held on Behalf of Ross County Home Health, LLC | <u>\$20,645</u> |
| Total Fund Balances | <u><u>\$20,645</u></u> |

See the accompanying notes to the basic financial statements.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Ross County Health District, Ross County, Ohio, (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is responsible for the administration of all health programs established by the Ohio Revised Code, the Ohio Department of Health, and the Public Health Council. Services provided by the District include, but are not limited to, the inspection and licensing of public health programs, community nursing activities, the control of communicable diseases, immunization clinics, and environmental health programs.

By law, the Ross County Auditor is the fiscal agent of the District.

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

Note 2 – Summary of Significant Account Policies

As discussed further in this note, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position-cash basis and statement of activities-cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services identifiable to a particular program and operating grants and contributions. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information at a more detailed level. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by fund type.

Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On the cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the cash basis, receipts from property taxes are recognized in the year in which the monies have been received. On the cash basis, receipts from grants, entitlements, and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the District are presented in two categories: governmental and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions of the District are financed. The following are the District’s major governmental funds:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources of the District, except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio laws.

Ross County WIC Fund – The Ross County WIC Fund accounts for federal WIC grant receipts passed through the Ohio Department of Health. This program provides nutrition education, supplemental foods, breastfeeding promotion and support, and referrals to health care to income eligible pregnant women, breastfeeding women, women who have had a baby in the past 6 months, infants and children up to 5 years of age.

WIC Benefit Reserve Fund – The WIC Benefit Reserve Fund accounts for residual grant receipts received from the Ohio Department of Health to provide money that will be used to pay out vacation and sick leave when WIC employees retire.

MAC Fund – The MAC Fund accounts for grant receipts received from the Ohio Department of Health. This program provides funds that support efforts to identify and enroll eligible clients into Medicaid, to bring them services covered by Medicaid, to remove barriers to accessing Medicaid services, and to reduce gaps in Medicaid services.

Help Me Grow Home Visiting Fund – The Help Me Grow Home Visiting Fund accounts for grant receipts received from the Ohio Department of Health. This program provides expectant or new parents with the information, support, and encouragement they need through voluntary, high-quality home visiting services. It aims to educate at-risk parents with the resources to understand and capitalize on the optimal early years of a child’s life.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District’s own programs. The District did not have any trust funds in 2017. Agency funds are purely custodial in nature and are used to account for assets held by the District. The District’s agency fund was used to account for the pass-through activity of funds from the federal government to Ross County Home Health, LLC (the Organization). While the federal government was in the process of assigning new Medicare/Medicaid provider numbers for the new owner of the Home Health Division, they operated on the District’s provider numbers and the revenue from those sources was received through the District’s bank account.

Basis of Accounting

The District prepares its financial statements and notes on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the District may appropriate. The appropriations resolution is the District’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the District’s Board. The District uses the object level within each function as its legal level of control.

Ohio Revised Code Section 5705.28(C)(1) requires the District to file an estimate of contemplated revenue and expenses with the municipalities and townships within the District by about June 1 (forty-five days prior to July 15).

The County Auditor cannot allocate property taxes from the municipalities and townships within the District if the filing has not been made.

Ohio Revised Code Section 3709.28 establishes budgetary requirements for the District, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April, the District must adopt an itemized appropriation measure. The appropriations measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the County Budget Commission. Subject to estimated resources, the District’s Board may, by resolution, transfer appropriations from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the County Budget Commission for approval.

The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the District’s Board.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations passed by the District's Board during the year.

Deposits and Investments

As required by the Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. As of December 31, 2017, the District's share of the County's cash and investment pool was \$440,280. All risks associated with deposits and investments held at the Treasurer's Office are the responsibility of Ross County. Deposit and investment disclosures for the County as a whole may be obtained from the Ross County Auditor's Office, 2 North Paint Street, Suite G, Chillicothe, Ohio 45601, (740) 702-3080.

The District maintains a bank account to hold District receipts during each month and then makes a monthly deposit to the County. The carrying amount of these deposits as of December 31, 2017 was \$1,070 and the bank balance was \$162,801. The entire balance was covered by federal depository insurance.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions cost-sharing pension plans when they are paid. As described in notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The District's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised primarily of resources restricted for grants. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. None of the District's restricted net position is restricted by enabling legislation.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fund Balances

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

Nonspendable – The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The District reported no nonspendable fund balances as of December 31, 2017.

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

Committed – The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The District reported no committed fund balances as of December 31, 2017.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the General Fund report all fund balances as assigned unless they are restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State statute. The District reported no assigned fund balances as of December 31, 2017.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

The statements report transfers between funds as receipts in the seller funds and as disbursements in the purchasing funds. Subsidies from one fund to another without requirement for repayment are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Transfers among governmental activities are eliminated in the government-wide statement of activities.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Health and that are either unusual in nature or infrequent in occurrence. During fiscal year 2017, the District sold its Home Health Division in order to provide operating funds. The District received a \$290,000 payment for the transfer of operations and related vehicles to a private organization. This amount was recorded as a special item on the government-wide and fund financial statements. The District had no extraordinary items during 2017.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 3 – Intergovernmental Receipts

The County apportions the excess of the District’s appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in intergovernmental receipts on the accompanying basic financial statements.

Note 4 – Defined Benefit Pension Plan

Plan Description

District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides ages and service requirements for retirement and the retirement formula applied to financial average salary (FAS) under the Traditional Plan as per the reduced benefits adopted by SB 343 for state and local government employers (see OPERS CAFR referenced above for additional information).

| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| <i>Age and Service Requirements</i> | <i>Age and Service Requirements</i> | <i>Age and Service Requirements</i> |
| Age 60 with 60 months of service credit or age 55 with 25 years of service credit | Age 60 with 60 months of service credit or age 55 with 25 years of service credit | Age 57 with 25 years of service credit or age 62 with 5 years of service credit |
| <i>Formula</i> | <i>Formula</i> | <i>Formula</i> |
| 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State & Local |
|--|------------------|
| <i>2017 Statutory Maximum Contribution Rates</i> | |
| Employer | 14% |
| Employee | 10% |
| <i>2017 Actual Contribution Rates</i> | |
| Employer: | |
| Pension | 13% |
| Post-Employment Health Care Benefits | 1% |
| Total | 14% |
| Employee | 10% |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution to OPERS for pension was \$184,487 for 2017.

Note 5 – Post-Employment Benefits

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. The trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR (most recent information available) for details.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, the District contributed at a rate of 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0 percent.

The District's contributions to fund health care for the years ended December 31, 2017, 2016, and 2015 were \$15,687, \$60,459, and \$64,769, respectively, which were equal to the required contributions for those years.

Note 6 – Risk Management

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

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

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

Casualty and Property Insurance

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.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Financial Position

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

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

As of December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years is approximately \$9,000.

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>Contributions to PEP</u> | |
| 2017 | <u>\$14,132</u> |

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

Note 7 – Contingent Liabilities

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The District is not currently party to legal proceedings.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 8 – Interfund Transfers

The District had the following interfund transfers for the year ended December 31, 2017:

| | Transfers In | Transfers Out |
|-----------------------|-----------------|------------------|
| Major Fund: | | |
| General Fund | \$1,734 | \$4,061 |
| Non-Major Funds: | | |
| Water Systems Fund | 4,061 | 0 |
| Vivitrol Program Fund | 0 | 1,734 |
| Total Non-Major Funds | 4,061 | 1,734 |
| Total All Funds | \$5,795 | \$5,795 |

Transfers were made from the General Fund to the Vivitrol Program Fund to subsidize operations. Transfers were made from the Water Systems Fund to the General Fund to close out programs or in accordance with budgetary authorizations.

Note 9 – Long-Term Obligations

Changes in the long-term obligations of the District during 2017 were as follows:

| | Principal Outstanding at 1/1/17 | Additions | Deletions | Principal Outstanding at 12/31/17 | Amount Due in One Year |
|--------------------------|---------------------------------------|-----------|-----------|---|------------------------------|
| Governmental Activities: | | | | | |
| Capital Leases | \$1,424,435 | \$0 | \$0 | \$1,424,435 | \$97,030 |

The capital lease will be paid from the General Fund, Community Health Funds, Environmental Funds, the Public Health Fund, and the Ross County WIC Fund.

In 2017, the Ross County Commissioners agreed to defer all 2017 required debt service payments to subsequent years, extending the term of the lease by one year.

Note 10 – Capital Leases – Lessee Disclosure

In 2014, the District entered into a capitalized lease for the purchase of a building and for additional funds to renovate the building. Capital lease payments have been reclassified and reflected as debt service disbursements in the basic financial statements.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

At December 31, 2017, principal and interest requirements to retire the capital lease are as follows:

| Year Ending December 31, | Capital Leases |
|-----------------------------|--------------------|
| 2018 | \$125,519 |
| 2019 | 125,519 |
| 2020 | 125,519 |
| 2021 | 125,519 |
| 2022 | 125,519 |
| Thereafter | <u>1,004,150</u> |
| Total Debt Payments | 1,631,745 |
| Less: Interest | <u>(207,310)</u> |
| Total Principal | <u>\$1,424,435</u> |

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

| Fund Balances | General | Ross County WIC | WIC Benefit Reserve | MAC | HMG Home Visiting | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|-----------------|-----------------------|---------------------------|------------------|-------------------------|-----------------------------------|--------------------------------|
| <i>Restricted for</i> | | | | | | | |
| Children’s Health | \$0 | \$0 | \$47,287 | \$10,905 | \$153,804 | \$0 | \$211,996 |
| Environmental Health | 0 | 0 | 0 | 0 | 0 | 67,920 | 67,920 |
| Community Health | 0 | 0 | 0 | 0 | 0 | 35,494 | 35,494 |
| Community Preparedness | 0 | 0 | 0 | 129,119 | 0 | 18,113 | 147,232 |
| Total | <u>0</u> | <u>0</u> | <u>47,287</u> | <u>140,024</u> | <u>153,804</u> | <u>121,527</u> | <u>462,642</u> |
| <i>Unassigned (Deficit)</i> | <u>21,225</u> | <u>(54,462)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(8,700)</u> | <u>(41,937)</u> |
| <i>Total</i> | <u>\$21,225</u> | <u>(\$54,462)</u> | <u>\$47,287</u> | <u>\$140,024</u> | <u>\$153,804</u> | <u>\$112,827</u> | <u>\$420,705</u> |

Note 12 – Financial Condition

The District ran a replacement levy on the November 2016 ballot, but it did not pass. As such, the District has made significant budget cuts to scale back to support primarily mandated services. The District has also made adjustments to fee schedules to increase revenues where possible and sold its Home Health Division, which is further discussed in note 13. The District ran another levy on the May 2017 ballot to reinstitute its previous services. This levy passed and collections will resume in 2018.

Note 13 – Discontinued Operations

On February 3, 2017, the District sold its Home Health Division to Ross County Home Health LLC in order to provide additional funding for its basic operations until a levy could be passed. The District received \$290,000, which included \$250,000 for the transfer of operations and \$40,000 for related vehicles. This amount was reported as a special item in the accompanying financial statements.

Ross County Health District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 14 – Accountability

The District had deficit fund balances in the following funds, which are the result grants that require expenditure of funds prior to reimbursement. These deficit fund balances will be resolved through subsequent grant requests.

Major Fund:

| | |
|-----------------|----------|
| Ross County WIC | \$54,462 |
|-----------------|----------|

Nonmajor Funds:

| | |
|-------------------|-------|
| WIC Peer Program | 2,411 |
| Injury Prevention | 6,289 |

Note 15 – Budgetary Basis of Accounting

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a financial reporting basis. This includes the Home Health Fund, the Environmental Health Fund, and the Public Health Fund. Since these funds are budgeted separately, they are not included in the budgetary presentation for the General Fund.

Ross County Health District
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|---|----------------------------|---------------------------|--------------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Passed through the Ohio Department of Health:</i> | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 07110011WA1017 | 10.557 | 431,489 |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 07110011WA1118 | 10.557 | 129,288 |
| Total Special Supplemental Nutrition Program for Women, Infants, and Children | | | <u>560,777</u> |
| Total U.S. Department of Agriculture | | | 560,777 |
| <u>U.S. Department of Justice</u> | | | |
| <i>Passed through the Ohio Department of Public Safety and Office of Criminal Justice Services:</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 2012-JG-E01-V6075 | 16.738 | 12,307 |
| Total U.S. Department of Justice | | | <u>12,307</u> |
| <u>U.S. Department of Education</u> | | | |
| <i>Passed through the South Central Ohio Job and Family Services:</i> | | | |
| Special Education - Grants for Infants and Families | 07110021HG0817 | 84.181 | 12,556 |
| Total Special Education - Grants for Infants and Families | | | <u>12,556</u> |
| Total U.S. Department of Education | | | <u>12,556</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <i>Passed through the Ohio Department of Health:</i> | | | |
| Public Health Emergency Preparedness | 07110012PH0817 | 93.074 | 50,630 |
| Public Health Emergency Preparedness | 07110012PH0918 | 93.074 | 28,836 |
| Total Public Health Emergency Preparedness | | | 79,466 |
| Maternal, Infant, and Early Childhood Home Visiting Program | 07110011MH0117 | 93.870 | 17,320 |
| Maternal and Child Health Services Block Grant to the States | 07110011MP0117 | 93.994 | 8,362 |
| Maternal and Child Health Services Block Grant to the States | 07110011MP0218 | 93.994 | 917 |
| Total Maternal and Child Health Services Block Grant | | | 9,279 |
| Injury Prevention and Control Research And State and Community Based Programs | 07110014PD0117 | 93.136 | 44,475 |
| Injury Prevention and Control Research And State and Community Based Programs | 07110014PD0218 | 93.136 | 18,422 |
| Total Prescription Durg Overdose Prevention | | | <u>62,897</u> |
| Total U.S. Department of Health and Human Services | | | <u>168,962</u> |
| Total Federal Financial Assistance | | | <u><u>\$754,602</u></u> |

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Ross County Health District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended December 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ross County Health District (the District) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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*

Independent Auditor's Report

Board of Health
Ross County Health District
150 East Second Street
Chillicothe, Ohio 45601

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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ross County Health District, Ross County (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

The District's Response to Findings

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

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



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 22, 2018

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Health
Ross County Health District
150 East Second Street
Chillicothe, Ohio 45601

Report on Compliance for Each Major Federal Program

We have audited the Ross County Health District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
Vice-President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 22, 2018

Ross County Health District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I – Summary of Auditor’s Results

| | |
|--|--|
| <i>Financial Statements</i> | |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified (Cash Basis) |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | Yes |
| <i>Federal Awards</i> | |
| Internal control over major program(s): | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major program(s): | Special Supplemental Nutrition Program for Women, Infants and Children, CFDA #10.557 |
| Dollar threshold used to distinguish between type A and type B programs: | Type A: >\$750,000 Type B: All Others |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

FINDING NUMBER 2017-001

Material Citation – Ohio Revised Code Section 3709.28

Ohio Revised Code Section 3709.28 establishes budgetary requirements for General Health Districts, which are similar to certain Ohio Revised Code Chapter 5705 budgetary requirements. One of the budgetary requirements under this section is that appropriations must not exceed estimated resources. It was noted during testing that appropriations exceeded estimated resources in the Ross Co. WIC fund original and final budget and the General fund original budget. We recommend that the District implement procedures to ensure appropriations do not exceed estimated resources.

Client Response:
 See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

Ross County Health District
Corrective Action Plan
For the Year Ended December 31, 2017

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|--|
| 2017-001 | The District will advance funds to the WIC fund and all programs that have a negative balance at the end of the year to ensure appropriations do not exceed estimated resources. The budget is presented to the finance committee and the Board of Health. The General Fund appropriations exceeding estimated resources was a complete management oversight. | December 31, 2018 | Vonda Kern, Director of Administration |



Dave Yost • Auditor of State

ROSS COUNTY HEALTH DISTRICT

ROSS 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**