

Ross County Health District  
Ross County  
Single Audit  
For the Year Ended December 31, 2012



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street, Suite 2  
Portsmouth, Ohio 45662  
Phone: 740.876.8548 ■ Fax: 888.876.8549  
Website: [www.milhuffstangcpa.com](http://www.milhuffstangcpa.com) ■ Email: [natalie@milhuffstangcpa.com](mailto:natalie@milhuffstangcpa.com)





# Dave Yost • Auditor of State

Board of Health  
Ross County Health District  
475 Western Avenue, Suite A  
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, 2012 through December 31, 2012. 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

July 29, 2013

**This page intentionally left blank.**

**Ross County Health District**  
*Table of Contents*  
*For the Year Ended December 31, 2012*

---

Title	Page
Independent Auditor's Report.....	1 – 2
Management's Discussion and Analysis.....	3 – 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	8
Statement of Activities – Cash Basis.....	9
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	10
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds.....	11
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund.....	12
Notes to the Basic Financial Statements.....	13 - 22
Schedule of Federal Awards Expenditures.....	23
Notes to the Schedule of Federal Awards Expenditures.....	24
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> .....	25 - 26
Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133.....	27 - 28
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505.....	29

**Independent Auditor's Report**

Board of Health  
Ross County Health District  
475 Western Avenue, Suite A  
Chillicothe, Ohio 45601

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Ross County Health District, Ross County (the District) as of and for the year ended December 31, 2012, 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, the major fund, and the aggregate remaining fund information of Ross County Health District, Ross County, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund 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, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, during 2012, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the District's financial statements that collectively comprise its basic financial statements. Management's Discussion and Analysis includes tables of net position, change in net position, and governmental activities. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013 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, President/Owner  
Millhuff-Stang, CPA, Inc.

June 7, 2013

**Ross County Health District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

This discussion and analysis of the Ross County Health District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2012, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2012 are as follows:

There was an increase in net position from 2011 to 2012 of \$43,611.

The District's receipts are primarily from charges for services, operating grants and contributions, unrestricted intergovernmental receipts, and property taxes. These receipts represent over 99.9 percent of the total cash received for governmental activities during 2012. The remaining receipts are attributed to miscellaneous receipts.

The District's disbursements are primarily comprised of children's health, home health and community health with \$780,583, \$2,378,324 and \$963,484, respectively, disbursed for 2012.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained in the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the financial statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determines when financial events are recorded. The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Ross County Health District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during 2012, within the limitations of the cash basis of accounting. The statement of net position presents the cash and investment balances of the governmental activities of the District at year-end. The statement of activities compares cash disbursements with program receipts for its governmental programs or functions. Program receipts include charges paid by the recipient of the program services and for grant monies received. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how its governmental activities draw from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well, such as the District's property tax base, the condition of the District's capital assets and infrastructure, and the reliance on non-local financial resources for operations.

In the statement of net position and the statement of activities, we report the District in one type of activity: governmental activities. All of the District's basic services are reported as governmental activities.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate the money that is restricted and that it is being spent for the intended purpose. All of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed short-term view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the government-wide statements.

**Ross County Health District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

---

**The District as a Whole**

Table 1 provides a summary of the District's net position for 2012 compared to 2011 on the cash basis:

Table 1  
Net Position

	Governmental Activities	
	2012	2011
<i>Assets:</i>		
Cash	\$46,413	\$46,403
Equity in County Treasury	655,371	611,770
<b>Total Assets</b>	<b>\$701,784</b>	<b>\$658,173</b>
 <i>Net Position:</i>		
Other Purposes	\$177,204	\$133,502
Unrestricted	524,580	524,671
<b>Total Net Position</b>	<b>\$701,784</b>	<b>\$658,173</b>

As mentioned previously, net position of governmental activities increased \$43,611 or 6.6 percent during 2012. This increase is a result of receipts in excess of disbursements.

Table 2 reflects the changes in net position in 2012. A comparative analysis of 2012 and 2011 is presented.

Table 2  
Change in Net Position

	Governmental Activities	
	2012	2011
<i>Receipts:</i>		
<i>Program Receipts:</i>		
Charges for Services	\$2,771,572	\$2,976,428
Operating Grants and Contributions	1,435,514	1,197,540
<b>Total Program Receipts</b>	<b>4,207,086</b>	<b>4,173,968</b>
<i>General Receipts:</i>		
Property Taxes	1,012,700	616,407
Grants and Entitlements not Restricted to Specific Programs	266,439	213,772
Miscellaneous	729	473
<b>Total General Receipts</b>	<b>1,279,868</b>	<b>830,652</b>
<b>Total Receipts</b>	<b>5,486,954</b>	<b>5,004,620</b>

**Ross County Health District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

Table 2  
Change in Net Position  
(Continued)

	Governmental Activities	
	2012	2011
<i>Disbursements:</i>		
<i>Current:</i>		
Children's Health	\$780,583	\$810,420
Environmental Health	408,832	447,068
Community Health	963,484	831,412
Administrative Services	668,220	642,142
Home Health	2,378,324	2,313,433
Community Preparedness	243,900	221,366
Total Disbursements	5,443,343	5,265,841
<i>Change in Net Position</i>	43,611	(261,221)
<i>Net Position, January 1</i>	658,173	919,394
<i>Net Position, December 31</i>	\$701,784	\$658,173

Program receipts represent 76.7 percent of total receipts in 2012, and are comprised of charges for services collected from customers and for operating grants and contributions. General receipts represent 23.3 percent of the District's total receipts for 2012. These receipts consist of property taxes, unrestricted intergovernmental receipts, and miscellaneous receipts. Charges for services decreased by \$204,856 due to a decrease in charges for services related to the home health program. Operating grants and contributions increased by \$237,974 due primarily to an increase in WIC and various other federal funding. Property tax receipts increased \$396,293 and unrestricted grants increased \$52,667 due primarily to the passage of a new property tax levy and an increase in the related homestead and rollback funds received from the State. Other receipts remained reasonably consistent between years.

Disbursements remained relatively consistent.

**Governmental Activities**

If you look at the statement of activities, as referenced in the table of contents, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the statement, entitled program cash receipts, identify two types of program receipts. The first type is charges for services, which consists of amounts paid by people who are directly charged for services provided. The second type is operating grants and contributions, which consists of operating grants and contributions directly related to program services being provided. The net receipts (disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which is paid from money provided from sources other than charges for services and operating grants and contributions. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Ross County Health District**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*(Unaudited)*

Table 3  
 Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Children's Health	\$780,583	(\$104,373)	\$810,420	\$66,974
Environmental Health	408,832	131,047	447,068	174,931
Community Health	963,484	549,171	831,412	507,131
Administrative Services	668,220	478,535	642,142	433,795
Home Health	2,378,324	176,556	2,313,433	(101,126)
Community Preparedness	243,900	5,321	221,366	10,168
<b>Total Disbursements</b>	<b>\$5,443,343</b>	<b>\$1,236,257</b>	<b>\$5,265,841</b>	<b>\$1,091,873</b>

**The District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the District's governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

Total governmental funds had receipts and other financing sources of \$5,555,326 and disbursements and other financing uses of \$5,511,715. The General Fund balance decreased \$16,206 due to disbursements in excess of receipts.

**Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. During 2012, the District amended its General Fund budget to reflect changing circumstances. The District's most significant changes occurred in property tax and intergovernmental receipts, due to changes in expectations related to the new property tax levy and related State funding.

**Capital Assets**

The District does not currently report its capital assets and infrastructure as it is not required by law.

**Debt**

The District had no debt outstanding as of December 31, 2012.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Adam Dyer, Chief Fiscal Officer, 475 Western Avenue, Suite A, Chillicothe, Ohio 45601.

**Ross County Health District**  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

---

	<u>Governmental Activities</u>
Assets	
Cash	\$46,413
Equity in County Treasury	<u>655,371</u>
Total Assets	<u><u>\$701,784</u></u>
Net Position	
Restricted For:	
Other Purposes	\$177,204
Unrestricted	<u>524,580</u>
Total Net Position	<u><u>\$701,784</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, 2012

	Cash Disbursements	Program Cash Receipts		Net Receipts (Disbursements) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Current:				
Children's Health	\$780,583	\$0	\$884,956	\$104,373
Environmental Health	408,832	277,785	0	(131,047)
Community Health	963,484	116,932	297,381	(549,171)
Administrative Services	668,220	175,087	14,598	(478,535)
Home Health	2,378,324	2,201,768	0	(176,556)
Community Preparedness	243,900	0	238,579	(5,321)
Total Governmental Activities	<u>\$5,443,343</u>	<u>\$2,771,572</u>	<u>\$1,435,514</u>	(1,236,257)
		General Receipts		
		Property Taxes Levied for		
		General Health District Purposes		1,012,700
		Grants and Entitlements not Restricted		
		to Specific Programs		266,439
		Miscellaneous		729
		Total General Receipts		<u>1,279,868</u>
		Change in Net Position		43,611
		Net Position Beginning of Year		<u>658,173</u>
		Net Position End of Year		<u>\$701,784</u>

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, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$46,403	\$10	\$46,413
Equity in County Treasury	509,252	146,119	655,371
<b>Total Assets</b>	<b>\$555,655</b>	<b>\$146,129</b>	<b>\$701,784</b>
<b>Fund Balances</b>			
Restricted for:			
Children's Health	\$0	\$51,635	\$51,635
Environmental Health	0	317	317
Community Health	0	36,916	36,916
Community Preparedness	0	88,336	88,336
Unassigned (Deficit)	555,655	(31,075)	524,580
<b>Total Fund Balances</b>	<b>\$555,655</b>	<b>\$146,129</b>	<b>\$701,784</b>

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, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,012,700	\$0	\$1,012,700
Intergovernmental	281,037	1,420,916	1,701,953
Charges for Services	2,551,442	220,130	2,771,572
Miscellaneous	729	0	729
<b>Total Receipts</b>	<b>3,845,908</b>	<b>1,641,046</b>	<b>5,486,954</b>
<b>Disbursements</b>			
Current:			
Children's Health	0	780,583	780,583
Environmental Health	251,796	157,036	408,832
Community Health	629,620	333,864	963,484
Administrative Services	668,220	0	668,220
Home Health	2,378,324	0	2,378,324
Community Preparedness	0	243,900	243,900
<b>Total Disbursements</b>	<b>3,927,960</b>	<b>1,515,383</b>	<b>5,443,343</b>
Receipts Over (Under) Disbursements	(82,052)	125,663	43,611
<b>Other Financing Sources (Uses)</b>			
Transfers In	67,109	1,263	68,372
Transfers Out	(1,263)	(67,109)	(68,372)
<b>Total Other Financing Sources (Uses)</b>	<b>65,846</b>	<b>(65,846)</b>	<b>0</b>
Net Change in Fund Balances	(16,206)	59,817	43,611
Beginning Fund Balances, January 1	571,861	86,312	658,173
Ending Fund Balances, December 31	<b>\$555,655</b>	<b>\$146,129</b>	<b>\$701,784</b>

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, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$613,000	\$1,012,700	\$1,012,700	\$0
Intergovernmental	189,964	281,037	281,037	0
Charges for Services	145,550	175,087	175,087	0
Payments in Lieu of Taxes	400	0	0	0
Miscellaneous	251	729	729	0
<b>Total Receipts</b>	<b>949,165</b>	<b>1,469,553</b>	<b>1,469,553</b>	<b>0</b>
Disbursements				
Current:				
Administrative Services	707,428	665,880	665,880	0
<b>Total Disbursements</b>	<b>707,428</b>	<b>665,880</b>	<b>665,880</b>	<b>0</b>
Receipts Over Disbursements	241,737	803,673	803,673	0
Other Financing Sources (Uses)				
Transfers In	100,703	67,109	67,109	0
Transfers Out	(826,624)	(788,018)	(788,018)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(725,921)</b>	<b>(720,909)</b>	<b>(720,909)</b>	<b>0</b>
Net Change in Fund Balances	(484,184)	82,764	82,764	0
Beginning Fund Balances, January 1	450,584	450,584	450,584	0
Ending Fund Balances, December 31	(\$33,600)	\$533,348	\$533,348	\$0

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, 2012*

---

**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, environmental health programs, and home health activities.

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 Note 2.F, 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.

**A. Cash**

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, 2012, the District's share of the County's cash and investment pool was \$655,371. 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, 2012 was \$46,413 and the bank balance was \$17,800. The entire balance was covered by federal depository insurance.

**B. Fund Accounting**

The District uses fund accounting to maintain its financial records during the fiscal 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 one category: governmental.

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

1. 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.

**Note 2 – Summary of Significant Account Policies (Continued)**

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

C. Basis of Presentation

The District uses the provisions of GASB 34 for financial reporting on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. 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.

D. 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.

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.

E. 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.

F. 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. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**Note 2 – Summary of Significant Account Policies (Continued)**

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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

G. 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.

H. Cash Disbursements

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

I. Budgetary Process

All funds 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 fund and 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.

**Note 2 – Summary of Significant Account Policies (Continued)**

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.

J. 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.

K. Compensated Absences

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.

L. Net Position

Under the District's cash basis of accounting, net position equal cash balances. Net position is reported as restricted when there are limitations imposed on their 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. Of the District's \$177,204 of restricted net position, none is restricted by enabling legislation.

M. 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.

N. 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:

1. 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, 2012.

**Note 2 – Summary of Significant Account Policies (Continued)**

2. 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.

3. 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, 2012.

4. 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, 2012.

5. Unassigned

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 - Levies**

The County Commissioners serve as the taxing authority to levy a special levy outside the ten-mill limitation to provide the District with sufficient funds to carry out health programs. The levy generated \$1,012,700 in 2012. This amount is reflected as property tax receipts on the accompanying basic financial statements.

**Note 5 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans.

The member contribution rate was 10.0% of covered payroll for 2012, 2011, and 2010 for the District.

The employer contribution rate was 14.0%, 14.0%, and 14.0% of covered payroll for 2012, 2011, and 2010 for the District.

- F. The District's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$288,793, \$289,315, and \$301,011, respectively, which were equal to the required contributions for those years.

**Note 6 – Post-Employment Benefits**

Ohio Public Employees Retirement System

A. 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.

**Note 6 – Post-Employment Benefits (Continued)**

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2012, the District contributed at a rate of 14.0% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$115,509 for 2012, \$115,712 for 2011, and \$152,043 for 2010.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**Note 7 – 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2011 and 2010 (the latest information available).

Property and Casualty Coverage	2011	2010
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

As December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the District’s share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charge 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.

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**Note 7 – Risk Management (Continued)**

Contributions to PEP	
2010	\$13,674
2011	14,594
2012	12,840

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

**Note 8 – 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.

**Note 9 – Interfund Transfers**

The District had the following interfund transfers for the year ended December 31, 2012:

	Transfers In	Transfers Out
Major Fund:		
General Fund	\$67,109	\$1,263
Non-Major Funds:		
Camp/Rec Parks Fund	0	2,045
Mobile Home Parks Fund	0	1,978
Food Service Fund	0	38,064
Water Systems Fund	1,101	0
Swimming Pools/Bathing Fund	0	1,486
Sewage Program Fund	0	23,536
Public Safety Grant	162	0
Total Non-Major Funds	1,263	67,109
Total All Funds	\$68,372	\$68,372

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

---

**Note 9 – Interfund Transfers (Continued)**

Transfers were made from the General Fund to other governmental funds to subsidize operations. Transfers were made from the Camp/Rec Parks Fund, Mobile Home Parks Fund, Food Service Fund, Swimming Pools/Bathing Fund, and Sewage Program Fund to the General Fund in accordance with budgetary authorizations.

**Note 10 – 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 RCHD Seminar Fund, the Home Health Fund, the Environmental Health Fund, the Public Health Fund, and the Medical Reserve Corp Fund. Since these funds are budgeted separately, they are not included in the budgetary presentation for the General Fund.

	<u>General Fund</u>
Budgetary basis fund balance	\$533,348
Fund balance of funds combined with general fund for reporting purposes	<u>22,307</u>
Cash basis fund balance	<u>\$555,655</u>

**Note 11 – Change in Accounting Principle**

For the year ended December 31, 2012, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**Ross County Health District**  
**Ross County**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2012*

Federal Grantor/Pass Through Grantor/Program Title	Project/Grant Number	Federal CFDA Number	Disbursements
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through the Ohio Department of Health:</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	07110011WA0512	10.557	\$421,508
Special Supplemental Nutrition Program for Women, Infants, and Children	07110011WA0613	10.557	<u>103,861</u>
Total Special Supplemental Nutrition Program for Women, Infants, and Children			<u>525,369</u>
<b>Total U.S. Department of Agriculture</b>			<b>525,369</b>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed through the Ohio Department of Public Safety:</i>			
State and Community Highway Safety	SC-2011-71-00-00-00363-00	20.600	22,883
State and Community Highway Safety	SC-2011-71-00-00-00334-00	20.600	<u>3,676</u>
Total State and Community Highway Safety			<u>26,559</u>
<b>Total U.S. Department of Transportation</b>			<b>26,559</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through the Ohio Department of Health:</i>			
Public Health Emergency Preparedness	07110012PH0312	93.069	76,826
Public Health Emergency Preparedness	07110012PH0413	93.069	<u>31,796</u>
Total Public Health Emergency Preparedness			108,622
Centers for Disease Control and Prevention-Investigations and Technical Assistance	07110014BC0512	93.283	73,129
Centers for Disease Control and Prevention-Investigations and Technical Assistance	07110014BC0613	93.283	<u>53,117</u>
Total Centers for Disease Control and Prevention-Investigations and Technical Assistance			126,246
Maternal, Infant, and Early Childhood Home Visting Program	07110011MV0112	93.505	143,526
Maternal, Infant, and Early Childhood Home Visting Program	07110011MV0213	93.505	<u>18,893</u>
Total Maternal, Infant, and Early Childhood Home Visting Program			162,419
<b>Total U.S. Department of Health and Human Services</b>			<b>397,287</b>
<b>Total Federal Financial Assistance</b>			<b><u>949,215</u></b>

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 Year Ended December 31, 2012*

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of Ross County Health District's (the District) federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2. MATCHING FUNDS**

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal matching funds is not included on the schedule.

**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  
475 Western Avenue, Suite A  
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, the major fund and the aggregate remaining fund information of Ross County Health District, Ross County (the District) as of and for the year ended December 31, 2012, 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 7, 2013, wherein we noted the District uses a special purpose framework other than accounting principles generally accepted in the United States of America and adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**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 of 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 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 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  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 7, 2013

**Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Health  
Ross County Health District  
475 Western Avenue, Suite A  
Chillicothe, Ohio 45601

**Report on Compliance for Each Major Federal Program**

We have audited Ross County Health District's, Ross County (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2012. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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, 2012.

### **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 a 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 OMB Circular A-133, 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 weakness 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 7, 2013

Ross County Health District  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		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:		\$300,000
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None



# 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  
AUGUST 8, 2013**