

Ross County Health District  
Ross County  
Regular Audit  
For the Year Ended December 31, 2018



*Millhuff-Stang*

CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE  
KEITH FABER



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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, 2018 through December 31, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 2, 2019

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**Ross County Health District**  
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*For the Year Ended December 31, 2018*

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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, 2018, 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***

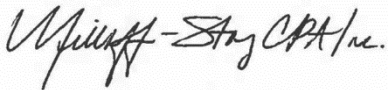
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ross County Health District, Ross County, Ohio, as of December 31, 2018, and the respective changes in cash financial position and the respective budgetary comparison for the General and Ross County WIC 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019 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.



Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

May 17, 2019



**Ross County Health District**  
*Statement of Net Position - Cash Basis*  
*December 31, 2018*

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	<u>Governmental Activities</u>
Assets	
Cash	\$3,549
Equity in County Treasury	<u>994,769</u>
Total Assets	<u><u>\$998,318</u></u>
Net Position	
Restricted For:	
Other Purposes	\$217,650
Unrestricted	<u>780,668</u>
Total Net Position	<u><u>\$998,318</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, 2018

	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	\$529,614	\$0	\$575,850	\$46,236
Environmental Health	450,223	376,300	28,940	(44,983)
Community Health	573,078	110,737	137,758	(324,583)
Administrative Services	700,830	310,405	30,025	(360,400)
Community Preparedness	75,351	0	81,529	6,178
Capital Outlay	22,258	0	0	(22,258)
Debt Service:				
Principal	72,773	0	0	(72,773)
Interest	21,367	0	0	(21,367)
<b>Total Governmental Activities</b>	<b>\$2,445,494</b>	<b>\$797,442</b>	<b>\$854,102</b>	<b>(793,950)</b>
		General Receipts		
		Property Taxes Levied for		
		General Health District Purposes		1,324,911
		Grants and Entitlements not Restricted		
		to Specific Programs		46,128
		Payments in Lieu of Taxes		524
				<u>1,371,563</u>
		Total General Receipts		
				1,371,563
		Change in Net Position		577,613
		Net Position Beginning of Year		420,705
				<u>\$998,318</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, 2018

	General	Ross County WIC	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$3,549	\$0	\$0	\$3,549
Equity in County Treasury	777,119	0	217,650	994,769
<b>Total Assets</b>	<b>\$780,668</b>	<b>\$0</b>	<b>\$217,650</b>	<b>\$998,318</b>
<b>Fund Balances</b>				
Restricted	\$0	\$0	\$217,650	\$217,650
Unassigned	780,668	0	0	780,668
<b>Total Fund Balances</b>	<b>\$780,668</b>	<b>\$0</b>	<b>\$217,650</b>	<b>\$998,318</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, 2018*

	General	Ross County WIC	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$1,324,911	\$0	\$0	\$1,324,911
Intergovernmental	76,153	534,771	289,306	900,230
Charges for Services	467,436	0	330,006	797,442
Payments in Lieu of Taxes	524	0	0	524
<b>Total Receipts</b>	<b>1,869,024</b>	<b>534,771</b>	<b>619,312</b>	<b>3,023,107</b>
<b>Disbursements</b>				
Current:				
Children's Health	0	498,086	31,528	529,614
Environmental Health	138,478	0	311,745	450,223
Community Health	460,411	0	112,667	573,078
Administrative Services	700,830	0	0	700,830
Community Preparedness	0	0	75,351	75,351
Capital Outlay	14,758	0	7,500	22,258
Debt Service:				
Principal	49,938	14,830	8,005	72,773
Interest	14,662	4,354	2,351	21,367
<b>Total Disbursements</b>	<b>1,379,077</b>	<b>517,270</b>	<b>549,147</b>	<b>2,445,494</b>
Receipts Over Disbursements	489,947	17,501	70,165	577,613
<b>Other Financing Sources (Uses)</b>				
Transfers In	328,215	36,961	21,759	386,935
Transfers Out	(58,719)	0	(328,216)	(386,935)
<b>Total Other Financing Sources (Uses)</b>	<b>269,496</b>	<b>36,961</b>	<b>(306,457)</b>	<b>0</b>
Net Change in Fund Balances	759,443	54,462	(236,292)	577,613
Beginning (Deficit) Fund Balances, January 1	21,225	(54,462)	453,942	420,705
Ending Fund Balances, December 31	<b>\$780,668</b>	<b>\$0</b>	<b>\$217,650</b>	<b>\$998,318</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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,086,000	\$1,324,911	\$1,324,911	\$0
Intergovernmental	242,380	76,153	76,153	0
Charges for Services	198,500	310,406	310,406	0
Payments in Lieu of Taxes	0	524	524	0
<b>Total Receipts</b>	<b>1,526,880</b>	<b>1,711,994</b>	<b>1,711,994</b>	<b>0</b>
Disbursements				
Current:				
Administrative Services	767,623	700,830	700,830	0
Capital Outlay	3,000	14,758	14,758	0
Debt Service:				
Principal	54,112	35,302	35,302	0
Interest	15,888	10,365	10,365	0
<b>Total Disbursements</b>	<b>840,623</b>	<b>761,255</b>	<b>761,255</b>	<b>0</b>
Receipts Over Disbursements	686,257	950,739	950,739	0
Other Financing Sources (Uses)				
Transfers In	0	328,215	328,215	0
Transfers Out	(567,460)	(520,270)	(520,270)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(567,460)</b>	<b>(192,055)</b>	<b>(192,055)</b>	<b>0</b>
Net Change in Fund Balances	118,797	758,684	758,684	0
Beginning Fund Balances, January 1	21,225	21,225	21,225	0
Ending Fund Balances, December 31	\$140,022	\$779,909	\$779,909	\$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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$451,499	\$534,771	\$534,771	\$0
Total Receipts	451,499	534,771	534,771	0
Disbursements				
Current:				
Children's Health	428,481	498,086	498,086	0
Debt Service:				
Principal	17,857	14,830	14,830	0
Interest	5,243	4,354	4,354	0
Total Disbursements	451,581	517,270	517,270	0
Receipts Over (Under) Disbursements	(82)	17,501	17,501	0
Other Financing Sources				
Transfers In	0	36,961	36,961	0
Total Other Financing Sources	0	36,961	36,961	0
Net Change in Fund Balances	(82)	54,462	54,462	0
Beginning Fund Balances, January 1	(54,462)	(54,462)	(54,462)	0
Ending Fund Balances, December 31	(\$54,544)	\$0	\$0	\$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, 2018*

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**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.

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

*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 2018. 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. The District held no cash on behalf of the Organization as of December 31, 2018. As such, a statement of fiduciary net position-cash basis has not been presented.

**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.



**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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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.

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.

**Cash 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, 2018, the District's share of the County's cash and investment pool was \$994,769. All risks associated with cash and investments held at the Treasurer's Office are the responsibility of Ross County. Cash 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, 2018 was \$3,549, including deposits in transit of \$1,765, and the bank balance was \$1,784. 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 other postretirement benefits (OPEB).

### **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.

### **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, 2018.

*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, 2018.

*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

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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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, 2018.

*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. The District had no extraordinary or special items during 2018.

**Note 3 – Levies and Intergovernmental Receipts**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the District. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all District operations for the year ended December 31, 2018 was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$1,224,467,190
Public Utility Personal Property	<u>122,951,800</u>
Total	<u><u>\$1,347,418,990</u></u>

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the County. The County Auditor periodically remits to the Health District its portion of the taxes collected.

**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 – Ohio Public Employees Retirement System (OPERS)**

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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.

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee ***	10.0 %
 <b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits *****	0.0
Total Employer	14.0 %
 Employee	 10.0 %

\*\*\*Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\*\*\*\*This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution was \$178,702 for the year 2018.

**Note 5 – Post-Employment Benefits**

**Ohio Public Employees Retirement System**

Plan Description – The 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. This 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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS’ CAFR referenced below for additional information.

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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates 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. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contribution was \$1,248 for 2018.

**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.

**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 (the latest information available):

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

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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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, 2018, 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.

Contributions to PEP	
2018	\$14,106

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 – Interfund Transfers**

The District had the following interfund transfers for the year ended December 31, 2018:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$328,215	\$58,719
Ross County WIC Fund	36,961	0
Nonmajor Funds:		
Water Systems Fund	3,270	0
WIC Peer Account Fund	2,053	0
Public Health Emergency Preparation Fund	10,136	0
Ebola Planning Fund	0	16,781
MAC Fund	0	140,024
Accreditation Fund	0	17,607
Injury Prevention Fund	6,300	0
Help Me Grow Fund	0	153,804
Total Nonmajor Funds	21,759	328,216
Total All Funds	\$386,935	\$386,935

Transfers were made from the general fund to various special revenue funds to subsidize operations. Transfers were made from various special revenue funds to the general fund to close out programs or in accordance with budgetary authorizations.



**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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 – Long-Term Obligations**

Changes in the long-term obligations of the District during 2018 were as follows:

	Principal Outstanding at 1/1/18	Additions	Deletions	Principal Outstanding at 12/31/18	Amount Due in One Year
Governmental Activities:					
Capital Leases	\$1,424,435	\$0	(\$72,773)	\$1,351,662	\$98,486

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.

**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.

At December 31, 2018, principal and interest requirements to retire the capital lease are as follows:

Year Ending December 31,	Capital Lease
2019	\$125,519
2020	125,519
2021	125,518
2022	125,519
2023	125,519
Thereafter	910,011
Total Debt Payments	1,537,605
Less: Interest	(185,943)
Total Principal	<u>\$1,351,662</u>

**Ross County Health District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**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	Nonmajor Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Children’s Health	\$0	\$0	\$56,480	\$56,480
Environmental Health	0	0	100,535	100,535
Community Health	0	0	42,989	42,989
Community Preparedness	0	0	17,646	17,646
<b>Total</b>	<b>0</b>	<b>0</b>	<b>217,650</b>	<b>217,650</b>
<i>Unassigned</i>	780,668	0	0	780,668
<b>Total</b>	<b>\$780,668</b>	<b>\$0</b>	<b>\$217,650</b>	<b>\$998,318</b>

**Note 12 – 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 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.

**Note 13 – New Accounting Pronouncement**

For the year ended December 31, 2018, the District was required to implement Governmental Accounting Standards Board Statements No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The District implemented GASB 75, which resulted in expanded note disclosures. However, restatement of beginning net position, recognition of deferred inflows and outflows of resources and liabilities, and inclusion of required supplementary information was not required due to the District use of the cash basis of accounting.

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 17, 2019, 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.

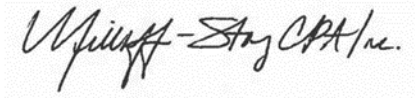
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

May 17, 2019

**Ross County Health District**  
*Schedule of Prior Audit Findings*  
*For the Year Ended December 31, 2018*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Take, or Finding No Longer Valid, Explain
2017-001	Material Citation – Ohio Revised Code Section 3709.28	No	Partially Corrected, Reissued in Management Letter

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# OHIO AUDITOR OF STATE KEITH FABER



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 15, 2019