



**Auditor of State
Betty Montgomery**

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Kenton-Hardin General Health District
Hardin County
Courthouse Annex, Suite 120
175 West Franklin Street
Kenton, Ohio 43326

To the Members of the Board:

We have audited the accompanying financial statements of Kenton-Hardin General Health District, Hardin County (the "Health District"), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Health District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Health District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Health District as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2003 on our consideration of the Health District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 13, 2003

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Subdivision Revenue	\$226,500		\$226,500
Intergovernmental Revenue	10,120	134,438	144,558
Licenses, Permits, and Fees	47,731	73,309	121,040
Other Receipts	55,704	1,709	57,413
Total Cash Receipts	340,055	209,456	549,511
Cash Disbursements			
Salaries	329,602	53,837	383,439
State Remittance-permit		8,786	8,786
State Remittance-fee		2,028	2,028
Equipment		1,659	1,659
Contracts		704	704
Supplies	26,395	6,641	33,036
Travel and Expenses	4,292	9,546	13,838
Liability Insurance	2,848		2,848
Other Expenses	32,840	12,932	45,772
Total Cash Disbursements	395,977	96,133	492,110
Excess of Receipts Over/(Under) Disbursements	(55,922)	113,323	57,401
Other Financing Sources and (Uses):			
Operating Transfers-In	91,194		91,194
Operating Transfers-Out		(91,194)	(91,194)
Total Other Financing Sources and (Uses):	91,194	(91,194)	
Excess of Receipts and Other Sources Over Disbursements and Other Uses	35,272	22,129	57,401
Fund Cash Balances, January 1	58,397	110,521	168,918
Fund Cash Balances, December 31	<u>\$93,669</u>	<u>\$132,650</u>	<u>\$226,319</u>
Reserve for Encumbrances, December 31	<u>\$5,000</u>	<u>\$1,020</u>	<u>\$6,020</u>

The notes to the financial statements are an integral part of this statement.

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Subdivision Revenue	\$211,500		\$211,500
Intergovernmental Revenue	10,803	110,187	120,990
Licenses, Permits, and Fees	41,597	68,259	109,856
Other Receipts	44,906	1,400	46,306
Total Cash Receipts	308,806	179,846	488,652
Cash Disbursements:			
Salaries	302,193	45,525	347,718
State Remittance-permit		7,480	7,480
State Remittance-fee		2,380	2,380
Equipment		7,255	7,255
Contracts		867	867
Supplies	20,536	4,812	25,348
Travel and Expenses	4,553	8,641	13,194
Liability Insurance	2,872		2,872
Other Expenses	30,378	22,309	52,687
Total Cash Disbursements	360,532	99,269	459,801
Excess of Receipts Over/(Under) Disbursements	(51,726)	80,577	28,851
Other Financing Sources and (Uses):			
Operating Transfers-In	81,003	2,500	83,503
Operating Transfers-Out	(2,500)	(81,003)	(83,503)
Total Other Financing Sources and (Uses):	78,503	(78,503)	
Excess of Receipts and Other Sources Over Disbursements and Other Uses	26,777	2,074	28,851
Fund Cash Balances, January 1	31,620	108,447	140,067
Fund Cash Balances, December 31	<u>\$58,397</u>	<u>\$110,521</u>	<u>\$168,918</u>
Reserve for Encumbrances, December 31	<u>\$5,000</u>	<u>\$677</u>	<u>\$5,677</u>

The notes to the financial statements are an integral part of this statement.

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Kenton-Hardin General Health District, Hardin County, (the "Health 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 Health District is directed by a seven-member Board and a Health Commissioner. The four county Board members are appointed by the District Advisory Council while the three city Board members are appointed by the Mayor of the City of Kenton and are approved by the City Council. The Health Commissioner is appointed by the Board. The Hardin County Auditor and County Treasurer are responsible for fiscal control of the resources of the Health District. The Health District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, vital statistics, and issues health-related licenses and permits.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for the Health District's cash. The Health District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Health District had the following significant Special Revenue Funds:

Food Service Fund - This fund receives revenue from the sale of licenses to establishments which prepare food for human consumption.

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Well Child Fund - This fund receives grant revenues for promoting the wellness of children.

School Nursing Fund - This fund receives revenues from contracts with local school districts for nursing services.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Health District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

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

G. 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 Health District's basis of accounting.

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$403,650	\$431,249	\$27,599
Special Revenue	184,448	209,456	25,008
Total	\$588,098	\$640,705	\$52,607

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$394,400	\$400,977	(\$6,577)
Special Revenue	206,431	188,347	18,084
Total	\$600,831	\$589,324	\$11,507

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$355,284	\$389,809	\$34,525
Special Revenue	141,174	182,346	41,172
Total	\$496,458	\$572,155	\$75,697

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$347,505	\$368,032	(\$20,527)
Special Revenue	192,394	180,949	11,445
Total	\$539,899	\$548,981	(\$9,082)

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the Health District's appropriations over other estimated receipts among the townships and municipalities composing the Health District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the Health District. These amounts are reported as subdivision revenue in the financial statements.

4. RETIREMENT SYSTEM

The Health District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Health District contributed an amount equal to 13.55% of participants' gross salaries. The Health District has paid all contributions required through December 31, 2002.

5. RISK MANAGEMENT

The Health District is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Health District's policy. The Pool covers the following risks:

- General liability; and
- Wrongful acts



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Kenton-Hardin General Health District
Hardin County
Courthouse Annex, Suite 120
175 West Franklin Street
Kenton, Ohio 43326

To the Members of the Board:

We have audited the financial statements of Kenton-Hardin General Health District, Hardin County (the "Health District") as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 13, 2003. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the Health District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Health District in a separate letter dated August 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Health District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 13, 2003

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

Reportable Condition

Approval for Transfers

To assist in the effective management of financial resources a governing body should give formal approval for transfer of money between funds. During 2002, the Health District transferred \$91,194 from Special Revenue Funds to the General Fund, and during 2001, the Health District transferred a total of \$81,003 from Special Revenue Funds to the General Fund. The purpose of these transfers was to reimburse the General Fund for payroll obligations initially paid from the Special Revenue Funds. In addition, the Health District could not provide documentation to support that the amounts transferred were in fact for payroll expenditures. This practice increases the risk that money will not be spent in accordance with the financial objectives of the Health District and/or could result in the improper expenditure of money restricted by grant agreements.

The Health District should implement internal control procedures that require all transfers to be approved by the Board. If the transfers are for the reimbursement of payroll expenditures, the Health District should maintain supporting payroll records such as time sheets or time cards. In addition, the Health District should review the purpose of the transfers to help assure that the money will be expended in accordance with any restrictions of the transferring fund.

**KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60233-01	ORC 5705.41(D) Prior Certification	Yes	



**Auditor of State
Betty Montgomery**

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KENTON-HARDIN GENERAL HEALTH DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2003**