



Mary Taylor, CPA  
Auditor of State



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

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Mary Taylor, CPA  
Auditor of State

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

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

June 30, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the Kenton-Hardin General Health District, Hardin County (the District), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, 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 Kenton-Hardin General Health District, Hardin County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 30, 2009



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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|  | <u>Governmental Fund Types</u> |                            | <b>Total<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|--|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |  |
| <b>Cash Receipts:</b>  |                                |                            |  |
| Federal Funds - Intergovernmental  |                                | \$93,403                   | \$93,403                               |
| State & Local - Intergovernmental  | \$233,922                      | 2,330                      | 236,252                                |
| Inspection Fees  |                                | 7,725                      | 7,725                                  |
| Permits  |                                | 13,984                     | 13,984                                 |
| Other Fees   | 111,126                        | 5,551                      | 116,677                                |
| Licenses   |                                | 64,210                     | 64,210                                 |
| Contractual Services   |                                | 80,342                     | 80,342                                 |
| Other Receipts   | 171                            | 2,536                      | 2,707                                  |
| Total Cash Receipts  | <u>345,219</u>                 | <u>270,081</u>             | <u>615,300</u>                         |
| <b>Cash Disbursements:</b>   |                                |                            |  |
| Salaries - Employees   | 239,695                        | 188,162                    | 427,857                                |
| Supplies   | 24,132                         | 16,511                     | 40,643                                 |
| Remittance - State   | 16,863                         | 11,092                     | 27,955                                 |
| Equipment  |                                | 18,197                     | 18,197                                 |
| Travel and Expenses  | 4,542                          | 9,565                      | 14,107                                 |
| Compensation & Damages - Liability Ins.                                      | 3,883                          |                            | 3,883                                  |
| Hospitalization  | 69,046                         |                            | 69,046                                 |
| OPERS  | 34,081                         | 28,777                     | 62,858                                 |
| Workers Comp   | 4,114                          | 3,126                      | 7,240                                  |
| Unemployment   |                                | 1,379                      | 1,379                                  |
| Other Expenses   | 16,793                         | 11,515                     | 28,308                                 |
| Total Cash Disbursements   | <u>413,149</u>                 | <u>288,324</u>             | <u>701,473</u>                         |
| Total Receipts (Under) Disbursements   | (67,930)                       | (18,243)                   | (86,173)                               |
| Other Financing Sources/(Uses)   |                                |                            |  |
| Transfer In  | 22,000                         |                            | 22,000                                 |
| Transfer Out   |                                | (22,000)                   | (22,000)                               |
| Advances In  | 700                            | 700                        | 1,400                                  |
| Advances Out   | (700)                          | (700)                      | (1,400)                                |
| Total Other Financing Sources/(Uses)   | <u>22,000</u>                  | <u>(22,000)</u>            |  |
| Excess of Receipts and Other Sources<br>(Under) Disbursements and Other Uses | (45,930)                       | (40,243)                   | (86,173)                               |
| Fund Cash Balances, January 1  | <u>82,415</u>                  | <u>146,353</u>             | <u>228,768</u>                         |
| Fund Cash Balances, December 31  | <u>\$36,485</u>                | <u>\$106,110</u>           | <u>\$142,595</u>                       |
| Reserves for Encumbrances, December 31                                       | <u>\$5,000</u>                 | <u>\$0</u>                 | <u>\$5,000</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 CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | <u>Governmental Fund Types</u> |                            | <b>Total<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|----------------------------|--|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |  |
| <b>Cash Receipts:</b>  |                                |                            |  |
| Federal Funds - Intergovernmental  |                                | \$80,341                   | \$80,341                               |
| State & Local - Intergovernmental  | \$230,837                      | 2,310                      | 233,147                                |
| Inspection Fees  |                                | 3,075                      | 3,075                                  |
| Permits  |                                | 20,134                     | 20,134                                 |
| Other Fees   | 113,521                        | 5,674                      | 119,195                                |
| Licenses   |                                | 61,016                     | 61,016                                 |
| Contractual Services   |                                | 57,412                     | 57,412                                 |
| Other Receipts   | 5,824                          | 3,358                      | 9,182                                  |
| Total Cash Receipts  | <u>350,182</u>                 | <u>233,320</u>             | <u>583,502</u>                         |
| <b>Cash Disbursements:</b>   |                                |                            |  |
| Salaries - Employees   | 229,942                        | 162,488                    | 392,430                                |
| Supplies   | 36,997                         | 24,975                     | 61,972                                 |
| Remittance - State   | 18,874                         | 12,916                     | 31,790                                 |
| Equipment  |                                | 2,334                      | 2,334                                  |
| Contracts - Services   | 4,600                          |                            | 4,600                                  |
| Travel and Expenses  | 4,687                          | 10,445                     | 15,132                                 |
| Compensation & Damages - Liability Ins.                                      | 3,803                          |                            | 3,803                                  |
| Hospitalization  | 63,944                         |                            | 63,944                                 |
| OPERS  | 34,219                         | 24,500                     | 58,719                                 |
| Workers Comp   | 3,252                          | 3,109                      | 6,361                                  |
| Unemployment   | 354                            |                            | 354                                    |
| Other Expenses   | 19,472                         | 16,941                     | 36,413                                 |
| Total Cash Disbursements   | <u>420,144</u>                 | <u>257,708</u>             | <u>677,852</u>                         |
| Total Receipts (Under) Disbursements   | (69,962)                       | (24,388)                   | (94,350)                               |
| Other Financing Sources/(Uses)   |                                |                            |  |
| Advances In  | 4,542                          | 10,000                     | 14,542                                 |
| Advances Out   | (10,000)                       | (4,542)                    | (14,542)                               |
| Total Other Financing Sources/(Uses)   | <u>(5,458)</u>                 | <u>5,458</u>               |  |
| Excess of Receipts and Other Sources<br>(Under) Disbursements and Other Uses | (75,420)                       | (18,930)                   | (94,350)                               |
| Fund Cash Balances, January 1  | <u>157,835</u>                 | <u>165,283</u>             | <u>323,118</u>                         |
| Fund Cash Balances, December 31  | <u>82,415</u>                  | <u>146,353</u>             | <u>228,768</u>                         |
| Reserves 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**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Kenton-Hardin County General Health District, Hardin County, (the District) as a body corporate and politic. An eight-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services, and issues health-related licenses and permits.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

As required by the Ohio Revised Code, the Hardin County Treasurer is custodian for the District's deposits. The County's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**Food Service Fund** - This fund receives revenues from food licenses and expenditures are related to inspection services of food serving establishments.

**Well Child Grant 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Infrastructure Grant** – This fund receives State grant revenues, which are administered through Union County, for bio-terrorism programs.

**E. Budgetary Process**

The Ohio Revised Code requires the District to budget each fund annually.

**1. Appropriations**

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

**3. Encumbrances**

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

A summary of 2008 and 2007 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

| <b>2008 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$369,200                | \$367,219              | (\$ 1,981)      |
| Special Revenue                          | 236,834                  | 270,081                | 33,247          |
| Total                                    | \$606,034                | \$637,300              | \$31,266        |

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. BUDGETARY ACTIVITY (Continued)**

| <b>2008 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                    |                                   |                 |
|--|------------------------------------|-----------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation<br/>Authority</b> | <b>Budgetary<br/>Expenditures</b> | <b>Variance</b> |
| General  | \$449,201                          | \$418,149                         | \$31,052        |
| Special Revenue  | 353,434                            | 310,324                           | 43,110          |
| Total  | <u>\$802,635</u>                   | <u>\$728,473</u>                  | <u>\$74,162</u> |

| <b>2007 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$318,500                    | \$350,182                  | \$31,682        |
| Special Revenue                          | 246,986                      | 233,320                    | (13,666)        |
| Total                                    | <u>\$565,486</u>             | <u>\$583,502</u>           | <u>\$18,016</u> |

| <b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                    |                                   |                  |
|--|------------------------------------|-----------------------------------|------------------|
| <b>Fund Type</b>   | <b>Appropriation<br/>Authority</b> | <b>Budgetary<br/>Expenditures</b> | <b>Variance</b>  |
| General  | \$465,430                          | \$425,144                         | \$ 40,286        |
| Special Revenue  | 339,389                            | 258,728                           | 80,661           |
| Total  | <u>\$804,819</u>                   | <u>\$683,872</u>                  | <u>\$120,947</u> |

**3. INTERGOVERNMENTAL FUNDING**

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. The financial statements present these amounts as intergovernmental receipts.

**4. RETIREMENT SYSTEM**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the District contributed an amount equaling 14% and 13.85% respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

**5. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage**

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

|             | <b>2007</b>  | <b>2006</b>  |
|-------------|--------------|--------------|
| Assets      | \$37,560,071 | \$36,123,194 |
| Liabilities | (17,340,825) | (16,738,904) |
| Net Assets  | \$20,219,246 | \$19,384,290 |

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$4,465. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

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.

| <b>Contributions to PEP</b> |         |
|-----------------------------|---------|
| 2006                        | \$3,552 |
| 2007                        | \$3,803 |
| 2008                        | \$3,883 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

**6. TRANSFER**

In August 2008, the District transferred \$22,000 from the BCMH Fund to the General Fund. The transferred monies were used to cover salary expenditures. The receipts for the BCMH Fund are derived from State sources and can be used for salary related expenses. The transfer is not prohibited by the Ohio Revised Code and the transfer was approved by the District's Board.

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Board:

We have audited the financial statements of the Kenton-Hardin General Health District, Hardin County (the District), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above as finding number 2008-001 is also a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated June 30, 2009.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and the District's Board. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 30, 2009

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 2008-001**

**Material Weakness**

**Proper Classification of Financial Activity**

To assist in the effective management and reporting of financial resources, the District should have procedures in place to help assure that financial activity is correctly classified in the accounting records and financial statements. The District's 2008 accounting records and financial statements had revenue and/or expenditure classification errors of \$26,585 in the General Fund and \$105,755 in the Special Revenue Funds. In 2007, the accounting records and financial statements had revenue and/or expenditure classification errors of \$105,148 in the General Fund and \$65,207 in the Special Revenue Funds.

Revenue classification errors included the recording of immunization fees as other receipts (miscellaneous) instead of as other fees; fees for licenses, permits, and inspections were recorded as other receipts instead of as license receipts, permit receipts, or inspection receipts; and nursing contract payments were recorded as other receipts instead of as contractual services. Expenditure classification errors included the remittance of vital statistic fees was recorded as other expenditures instead of as remittances to the State; and BCMH expenditures for equipment were recorded as project fund expenditures (i.e. no detail).

The failure by the District and its fiscal agent to correctly record financial activity could not only impact the users' understanding of the financial operations, it may also inhibit the Board's and/or management's ability to make sound financial decisions, and may impact the District's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to reflect this revenue and expenditure activity in the correct classification.

The District should review governmental accounting resources for guidance in the recording of financial activity. In addition, the District should consider utilizing the example health district financial statements that are available on the Auditor of State web site for preparing annual financial statements. These financial statements, which are available in an electronic format, could also be utilized to prepare individual fund statements for internal use at the Health District.

In addition, the District's Board and management should perform a periodic review of the financial records to help identify recording errors. This review would be facilitated if the District utilized a financial statement format for the adoption of the annual budget, and preparation of monthly and annual financial statements, that is consistent with the example health district financial statements available on the Auditor of State web site. By utilizing these more detailed financial statements, it will be easier for the District's Board and management to budget and monitor financial activity.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2006-001       | Monitoring of Financial Activity                       | No               | Monitoring procedures repeated in Finding 2008-001   |
| 2006-002       | Accountability over Immunization and Flu Shot Receipts | No               | Partially corrected; reported to management of the Health District in a separate letter.   |



**Mary Taylor, CPA**  
Auditor of State

**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**  
**JULY 30, 2009**