



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Kenton-Hardin General Hardin Health District, Hardin County, Ohio (the District) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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Although the effects on the financial statements of the variances between the regulatory basis and GAAP are not reasonably determinable, are presumed to be material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Kenton-Hardin General Health District, Hardin County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2015, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 9, 2015

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>General</u>   | <u>Special<br/>Revenue</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|------------------|----------------------------|---|
| <b>Cash Receipts:</b>                            |                  |                            |   |
| State & Local - Intergovernmental                | \$301,804        | \$132,837                  | \$434,641                               |
| Inspection Fees                                  | 0                | 15,359                     | 15,359                                  |
| Permits  | 0                | 14,672                     | 14,672                                  |
| Other Fees                                       | 182,148          | 41,552                     | 223,700                                 |
| Licenses   | 0                | 50,051                     | 50,051                                  |
| Contractual Services                             | 7,316            | 8,129                      | 15,445                                  |
| Other Receipts                                   | 0                | 3,500                      | 3,500                                   |
| Total Cash Receipts                              | <u>491,268</u>   | <u>266,100</u>             | <u>757,368</u>                          |
| <b>Cash Disbursements:</b>                       |                  |                            |   |
| Salaries - Employees                             | 206,196          | 153,774                    | 359,970                                 |
| Supplies   | 29,562           | 34,295                     | 63,857                                  |
| Remittance - State                               | 17,906           | 7,844                      | 25,750                                  |
| Equipment  | 0                | 12,077                     | 12,077                                  |
| Contracts - Services                             | 0                | 26,375                     | 26,375                                  |
| Travel and Expenses                              | 3,828            | 7,590                      | 11,418                                  |
| Compensation & Damages - Liability Ins.          | 4,000            | 0                          | 4,000                                   |
| Hospitalization                                  | 56,797           | 0                          | 56,797                                  |
| OPERS  | 31,011           | 24,077                     | 55,088                                  |
| Workers Comp                                     | 2,126            | 1,428                      | 3,554                                   |
| Other Expenses                                   | 51,901           | 11,572                     | 63,473                                  |
| Total Cash Disbursements                         | <u>403,327</u>   | <u>279,032</u>             | <u>682,359</u>                          |
| Excess of Receipts Over (Under) Disbursements    | <u>87,941</u>    | <u>(12,932)</u>            | <u>75,009</u>                           |
| <b>Other Financing Receipts (Disbursements):</b> |                  |                            |   |
| Transfers In                                     | 2,830            | 0                          | 2,830                                   |
| Transfers Out                                    | 0                | (2,830)                    | (2,830)                                 |
| Total Other Financing Receipts (Disbursements)   | <u>2,830</u>     | <u>(2,830)</u>             | <u></u>                                 |
| Net Change in Fund Cash Balances                 | 90,771           | (15,762)                   | 75,009                                  |
| Fund Cash Balances, January 1                    | <u>68,250</u>    | <u>128,701</u>             | <u>196,951</u>                          |
| <b>Fund Cash Balances, December 31:</b>          |                  |                            |   |
| Restricted                                       | 0                | 112,939                    | 112,939                                 |
| Assigned   | 75,300           | 0                          | 75,300                                  |
| Unassigned                                       | 83,721           | 0                          | 83,721                                  |
| Fund Cash Balances, December 31                  | <u>\$159,021</u> | <u>\$112,939</u>           | <u>\$271,960</u>                        |

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

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | <u>General</u>  | <u>Special<br/>Revenue</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-----------------|----------------------------|---|
| <b>Cash Receipts</b>                             |                 |                            |   |
| Federal Funds - Intergovernmental                | \$0             | \$8,791                    | \$8,791                                 |
| State & Local - Intergovernmental                | 250,509         | 126,427                    | 376,936                                 |
| Inspection Fees                                  | 0               | 14,431                     | 14,431                                  |
| Permits  | 0               | 13,951                     | 13,951                                  |
| Other Fees                                       | 180,061         | 41,538                     | 221,599                                 |
| Licenses   | 0               | 52,053                     | 52,053                                  |
| Contractual Services                             | 5,176           | 16,903                     | 22,079                                  |
| Other Receipts                                   | 51              | 3,933                      | 3,984                                   |
| Total Cash Receipts                              | <u>435,797</u>  | <u>278,027</u>             | <u>713,824</u>                          |
| <b>Cash Disbursements:</b>                       |                 |                            |   |
| <b>Current:</b>                                  |                 |                            |   |
| Salaries - Employees                             | 238,299         | 153,923                    | 392,222                                 |
| Supplies   | 25,368          | 39,084                     | 64,452                                  |
| Remittance - State                               | 20,535          | 8,150                      | 28,685                                  |
| Equipment  | 0               | 8,147                      | 8,147                                   |
| Contracts - Services                             | 0               | 27,455                     | 27,455                                  |
| Travel and Expenses                              | 4,791           | 8,412                      | 13,203                                  |
| Compensation & Damages - Liability Ins.          | 4,000           | 0                          | 4,000                                   |
| Hospitalization                                  | 74,875          | 0                          | 74,875                                  |
| OPERS  | 32,870          | 23,986                     | 56,856                                  |
| Workers Comp                                     | 3,786           | 3,117                      | 6,903                                   |
| Other Expenses                                   | 30,588          | 7,899                      | 38,487                                  |
| Total Cash Disbursements                         | <u>435,112</u>  | <u>280,173</u>             | <u>715,285</u>                          |
| Excess of Receipts Over (Under) Disbursements    | <u>685</u>      | <u>(2,146)</u>             | <u>(1,461)</u>                          |
| <b>Other Financing Receipts (Disbursements):</b> |                 |                            |   |
| Transfers In                                     | 492             | 0                          | 492                                     |
| Transfers Out                                    | 0               | (492)                      | (492)                                   |
| Advances In                                      | 24,000          | 19,000                     | 43,000                                  |
| Advances Out                                     | (19,000)        | (24,000)                   | (43,000)                                |
| Total Other Financing Receipts (Disbursements)   | <u>5,492</u>    | <u>(5,492)</u>             | <u></u>                                 |
| Net Change in Fund Cash Balances                 | 6,177           | (7,638)                    | (1,461)                                 |
| Fund Cash Balances, January 1                    | <u>62,073</u>   | <u>136,339</u>             | <u>198,412</u>                          |
| <b>Fund Cash Balances, December 31:</b>          |                 |                            |   |
| Restricted                                       | 0               | 128,701                    | 128,701                                 |
| Assigned   | 59,635          | 0                          | 59,635                                  |
| Unassigned                                       | 8,615           | 0                          | 8,615                                   |
| Fund Cash Balances, December 31                  | <u>\$68,250</u> | <u>\$128,701</u>           | <u>\$196,951</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, 2014 AND 2013**

**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 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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 service licenses and expenditures are related to inspection services of food serving establishments.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**Reproductive Health Wellness** - receives funds from private pay patients, insurance & meaningful use monies to promote preventive health for breast & cervical cancer, also to provide counseling and advice on contraception.

**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. 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 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 re-appropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 2.

**F. Fund Balance**

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

**1. Non-spendable**

The District classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amend 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.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

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

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

**G. 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.

**H. 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 follows:

| <b>2014 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$413,750                    | \$494,098                  | \$80,348        |
| Special Revenue                          | 295,796                      | 266,100                    | (29,696)        |
| Total                                    | \$709,546                    | \$760,198                  | \$50,652        |

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. BUDGETARY ACTIVITY**

| <b>2014 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  | \$473,385                          | \$403,327                         | \$70,058         |
| Special Revenue  | 387,463                            | 281,862                           | 105,601          |
| Total  | <u>\$860,848</u>                   | <u>\$685,189</u>                  | <u>\$175,659</u> |

| <b>2013 Budgeted vs. Actual Receipts</b> |                              |                            |                 |
|--|------------------------------|----------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted<br/>Receipts</b> | <b>Actual<br/>Receipts</b> | <b>Variance</b> |
| General                                  | \$404,500                    | \$460,289                  | \$55,789        |
| Special Revenue                          | 308,875                      | 297,027                    | (11,848)        |
| Total                                    | <u>\$713,375</u>             | <u>\$757,316</u>           | <u>\$43,941</u> |

| <b>2013 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  | \$467,317                          | \$454,112                         | \$13,205         |
| Special Revenue  | 402,315                            | 304,665                           | 97,650           |
| Total  | <u>\$869,632</u>                   | <u>\$758,777</u>                  | <u>\$110,855</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 SYSTEMS**

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 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**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, 2014 AND 2013  
(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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

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, 2013, 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.

**B. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

|              | <b>2012</b>  | <b>2013</b>  |
|--------------|--------------|--------------|
| Assets       | \$34,389,569 | \$34,411,883 |
| Liabilities  | (14,208,353) | (12,760,194) |
| Net Position | \$20,181,216 | \$21,651,689 |

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

| <b>Contributions to PEP</b> |             |
|-----------------------------|-------------|
| <b>2013</b>                 | <b>2014</b> |
| \$4,922                     | \$5,081     |

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

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.

**6. TRANSFERS**

During 2014 a transfer of \$2,613 was made from the School Nursing Fund to the General Fund. During 2014, a transfer of \$217 was made from Public Health Nursing Fund to the General Fund. During 2013, a transfer of \$492 was made from the School Nursing Fund to the General Fund. The transfers from the School Nursing Fund were to close out the fund which will no longer be used and to return the balance to the fund that provided the initial funding. The transfer from Public Health Nursing Fund was to close out the fund which has not been used for years.

**7. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Kenton-Hardin General Health District, Hardin County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

***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, opining 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*.

***Entity's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 9, 2015



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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Significant Deficiency**

**Accountability Over Free and Reduced Fee Services and Insurance Billings for Fees**

Procedures should be in place to help assure accountability over free and reduced fee services and insurance billings for fees. The District provided immunizations and flu shots as well as reproductive health services and birth control options to individuals during the year. Each day that services were provided, a form was prepared that tracked the people receiving the services. However, this form did not document the individuals that could not pay, paid a reduced fee or the individuals' services that were billed directly to the insurance company since the District bills according to the insurance company fee schedule and accepts the insurance amount payment as payment in full. As a result, the District could not determine whether the amount actually collected for providing these services was correct.

The failure to document whether or not a person was not charged a fee, paid a reduced fee, or if the fee was submitted to an insurance company, may contribute to errors and/or irregularities that are not detected in a timely manner. In addition, the failure to properly document the number of no fee, reduced fee, or insurance billings and subsequent collections may give the appearance of missing public money which could result in findings for recovery against those responsible for the money. Furthermore, the inability to support the completeness of receipts could impact the opinion on financial statements. An opinion on the financial statements that is not unmodified could jeopardize funding of the District.

The District should establish controls and procedures to help assure accountability over these services. These controls and procedures should include but not necessarily be limited to documenting the amount paid, the date paid, and the receipt number issued on either a separate form or on the form tracking the individuals receiving the services. The form should also document the individuals that were not charged a fee, paid a reduced fee, or the fee was billed to an insurance company. If billed to an insurance company any subsequent collection should also be documented on this form. If the payment information is documented on a separate form, then this form should be maintained with the log tracking the individual receiving the service and type of service. Also a periodic reconciliation should be performed between the receipts received and the amounts recorded on these forms. These forms and the reconciliations should then be reviewed by the Health Commissioner or a person independent of the services provided to make sure that all information is consistent and that there does not appear to be unusual transactions. The person performing the review should affix his/her initials on the form to provide evidence that the forms and reconciliations were reviewed.

**OFFICIALS' RESPONSE:** We now have In Sync PM/EMR software with billing and payment software included to help keep track of patient encounters and payments.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

| 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> |
|----------------|---|------------------|--|
| 2013-001       | Proper Classification of Financial Activity | No               | Significant improvement – Reported in a separate letter to management of the Health District.  |



# Dave Yost • 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  
AUGUST 4, 2015**