



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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KENTON-HARDIN GENERAL HEALTH DISTRICT  
HARDIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017  
Fiscal Years Audited Under GAGAS: 2018 and 2017



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Health  
Kenton-Hardin General Health District  
175 West Franklin Street  
Kenton, OH 43326

We have reviewed the *Independent Auditor's Report* of the Kenton-Hardin General Health District, Hardin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Kenton Hardin General Health District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 4, 2018

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**Kenton-Hardin General Health District**  
**Hardin County**  
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*For the Fiscal Years Ended December 31, 2018 and 2017*

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**Independent Auditor's Report**

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

To the District:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Kenton-Hardin General Health District, Hardin County, Ohio (the District), as of and for the years ended December 31, 2018 and 2017.

***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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Kenton-Hardin General Health District

***Basis for Adverse Opinion***

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are 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***

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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Kenton-Hardin General Health District, Hardin County, as of December 31, 2018 and 2017, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the District's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Columbus, Ohio  
June 14, 2019



**Kenton-Hardin General Health District**  
**Hardin County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Federal Funds - Intergovernmental	\$ 54,288	\$ -	\$ 54,288
State Funds - Intergovernmental	295,728	128,374	424,102
Inspection Fees	-	11,806	11,806
Permits	-	24,920	24,920
Other Fees	165,061	21,883	186,944
Licenses	-	51,108	51,108
Contractual	2,250	-	2,250
Other Receipts	15,220	2,861	18,081
<i>Total Cash Receipts</i>	<u>532,547</u>	<u>240,952</u>	<u>773,499</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	308,990	126,686	435,676
Supplies	91,847	32,398	124,245
Remittances to State	26,014	9,877	35,891
Equipment	-	-	-
Contracts - Services	31,125	18,857	49,982
Travel and Expenses	4,622	8,828	13,450
Compensation & Damages	5,024	-	5,024
Hospitalization	69,536	14,800	84,336
OPERS	46,647	19,392	66,039
Workers Comp	-	-	-
Other Expenses	38,344	4,240	42,584
<i>Total Cash Disbursements</i>	<u>622,149</u>	<u>235,078</u>	<u>857,227</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(89,602)</u>	<u>5,874</u>	<u>(83,728)</u>
<b>Other Financing Receipts/(Disbursements)</b>			
Transfers In	121,094	-	121,094
Transfers Out	-	(121,094)	(121,094)
Advances In	-	5,000	5,000
Advances Out	(5,000)	-	(5,000)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>116,094</u>	<u>(116,094)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	26,492	(110,220)	(83,728)
<i>Fund Cash Balances, January 1</i>	<u>130,797</u>	<u>279,019</u>	<u>409,816</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	168,799	168,799
Assigned	67,254	-	67,254
Unassigned	90,035	-	90,035
<i>Fund Cash Balances, December 31</i>	<u>\$ 157,289</u>	<u>\$ 168,799</u>	<u>\$ 326,088</u>

See accompanying notes to the financial statements.

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2018**

**NOTE 1 - REPORTING ENTITY**

**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. Currently, one of the Board Member seats is not filled. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related and environmental licenses and permits.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Accounting Basis**

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and not reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio

**2. Special Revenue Funds**

These funds account for and report of specific sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

Infrastructure Grant Fund - This fund received Federal grant revenues for promoting the Emergency Preparedness and Infrastructure.

Maternal & Child Health Grant Fund - This fund received revenues for promoting the wellness of children.

Help Me Grow (HMG) Home Visiting Fund - This fund receives revenues for services provided to promote family well-being and supports parenting and developmental education. Funds collected are also being used to support General Operations of the Health Department.

**C. Basis of Accounting**

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

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

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.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget each fund annually (except certain agency funds).

**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. 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 2018 budgetary activity appears in Note 3.

**E. 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, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Balance (continued)**

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**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.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 588,300	\$ 653,641	\$ 65,341
Special Revenue	280,325	240,952	\$ (39,373)
Total	\$ 868,625	\$ 894,593	\$ 25,968

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2018**

**NOTE 3 - BUDGETARY ACTIVITY (CONTINUED)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 666,950	\$ 622,149	\$ 44,801
Special Revenue	403,080	356,172	\$ 46,908
Total	\$ 1,070,030	\$ 978,321	\$ 91,709

**NOTE 4 – 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

**NOTE 5 - 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.

**NOTE 6 – INTERFUND BALANCES**

**Advances**

Outstanding advances at December 31, 2018, consisted of \$5,000 advanced from the General Funds to Infrastructure Funds to provide working capital for operations or projects.

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pay judgements, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool uses reinsurance and excess risk sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess pool (APEEP), which, Like PEP, is administered by York Risk Pooling Services, Inc. (York). APEEP provides the Pool with an excess risk sharing program. Under this arrangement, the Pool retains risks up to an amount specified in the contracts. (At December 31, 2017 the Pool retained \$350,000 for casualty claims and

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2018**

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

\$100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. As a result of this risk analysis, PEP has elected to increase its retention for casualty and property claims to \$500,000 and \$250,000, respectively, effective January 1, 2018.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

	<u>2018</u>
Assets	\$ 35,381,789
Liabilities	<u>(12,965,015)</u>
Net Position	<u>\$ 22,416,774</u>

At December 31, 2018, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. These amounts will be included in future contributions from members when related claims are due for payment. The Pool's membership increased to 535 members in 2018.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2018  
\$5,012

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.

This time period of the information reported is the most recent information available at the time these footnotes were prepared.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees 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.

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2018**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed ten percent (10%) of their gross salaries and the District contributed an amount equaling fourteen percent (14%) of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

<u>Retirement Rates</u>	<u>Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>
OPERS - Local	2012-2018	10%	14%

**NOTE 9 - POST EMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Member-Directed Plan was 4 percent during calendar year 2018.

**NOTE 10 - 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.

**NOTE 11 – SUBSEQUENT EVENTS**

There are no events or transactions that affect the financial statement that is subsequent to June 14, 2019.

**Kenton-Hardin General Health District**  
**Hardin County**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
State Funds - Intergovernmental	\$ 323,036	\$ 158,498	\$ 481,534
Inspection Fees	-	22,005	22,005
Permits	-	24,601	24,601
Other Fees	156,225	34,928	191,153
Licenses	200	52,411	52,611
Contractual	2,703	-	2,703
Other Receipts	7,212	343	7,555
<i>Total Cash Receipts</i>	<u>489,376</u>	<u>292,786</u>	<u>782,162</u>
<b>Cash Disbursements</b>			
Current:			
Health:			
Salaries	283,201	117,488	400,689
Supplies	89,594	40,523	130,117
Remittances to State	26,553	9,732	36,285
Equipment	-	2,249	2,249
Contracts - Services	-	30,000	30,000
Travel and Expenses	5,542	7,714	13,256
Compensation & Damages	5,135	-	5,135
Hospitalization	63,272	-	63,272
OPERS	42,584	17,788	60,372
Workers Comp	3,298	2,117	5,415
Other Expenses	40,825	7,572	48,397
<i>Total Cash Disbursements</i>	<u>560,004</u>	<u>235,183</u>	<u>795,187</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>(70,628)</u>	<u>57,603</u>	<u>(13,025)</u>
<b>Other Financing Receipts/(Disbursements)</b>			
Advances In	-	10,000	10,000
Advances Out	(10,000)	-	(10,000)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(80,628)	67,603	(13,025)
<i>Fund Cash Balances, January 1</i>	<u>211,425</u>	<u>211,416</u>	<u>422,841</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	279,019	279,019
Assigned	133,400	-	133,400
Unassigned	(2,603)	-	(2,603)
<i>Fund Cash Balances, December 31</i>	<u>\$ 130,797</u>	<u>\$ 279,019</u>	<u>\$ 409,816</u>

See accompanying notes to the financial statements.



**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 1 - REPORTING ENTITY**

**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. Currently, two of the Board Member seats are not filled. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related and environmental licenses and permits.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Accounting Basis**

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and not reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio

**2. Special Revenue Funds**

These funds account for and report of specific sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The District had the following significant Special Revenue Funds:

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Help Me Grow (HMG) Home Visiting Fund - This fund receives revenues for services provided to promote family well-being and supports parenting and developmental education. Funds collected are also being used to support General Operations of the Health Department.

**C. Basis of Accounting**

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

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

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.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget each fund annually (except certain agency funds).

**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. 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 2017 budgetary activity appears in Note 3.

**E. 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, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Balance (continued)**

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**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.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 480,500	\$ 489,376	\$ 8,876
Special Revenue	308,360	292,786	\$ (15,574)
Total	\$ 788,860	\$ 782,162	\$ (6,698)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 620,856	\$ 560,004	\$ 60,852
Special Revenue	399,499	235,183	\$ 164,316
Total	\$ 1,020,355	\$ 795,187	\$ 225,168

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 4 – 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

**NOTE 5 - 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.

**NOTE 6 – INTERFUND BALANCES**

**Advances**

Outstanding advances at December 31, 2017, consisted of \$10,000 advanced from the General Funds to Infrastructure Funds to provide working capital for operations or projects.

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pay judgements, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides the Pool with an excess risk sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017 the Pool retained \$350,000 for casualty claims and \$100,000 for property claims

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$ 44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$ 31,448,315</u>

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

At December 31, 2017, respectively, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.3 million of unpaid claims to be billed. These amounts will be included in future contributions from members when related claims are due for payment. The Pool's membership increased from 520 members in 2016 to 527 members in 2017.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership

Contributions to PEP

2017  
\$5,122

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.

This time period of the information reported is the most recent information available at the time these footnotes were prepared.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees 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. OPERS members contributed ten percent (10%) of their gross salaries and the District contributed an amount equaling fourteen percent (14%) of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

<u>Retirement Rates</u>	<u>Year</u>	<u>Member Rate</u>	<u>Employer Rate</u>
OPERS - Local	2012-2017	10%	14%

**NOTE 9 - POST EMPLOYMENT BENEFITS**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Kenton-Hardin General Health District  
Hardin County**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 10 - 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.

**NOTE 11 – SUBSEQUENT EVENTS**

There are no events or transactions that affect the financial statement that is subsequent to June 14, 2019.



**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 District:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type the Kenton-Hardin General Health District, Hardin County, (the District) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, and have issued our report thereon dated June 14, 2019.

***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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*.

***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 District'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.

*BHM CPA Group*

BHM CPA Group, Inc.  
Columbus, Ohio  
June 14, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**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 17, 2019**