



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

KENTON-HARDIN GENERAL HEALTH DISTRICT
HARDIN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015
Fiscal Years Audited Under GAGAS: 2016 and 2015



Dave Yost • Auditor of State

Kenton-Hardin General Health District
Courthouse Annex, Suite 120 175 W. Franklin Street
Kenton, Ohio 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, 2015 through December 31, 2016. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 6, 2017

This page intentionally left blank.

Kenton-Hardin General Health District
Hardin County
Table of Contents
For the Fiscal Years Ended December 31, 2016 and 2015

Title	Page
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Funds – For the Year Ended December 31, 2016	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Funds – For the Year Ended December 31, 2015	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	11
Schedule of Prior Audit Findings	13

This page intentionally left blank.



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 and related notes of the Kenton-Hardin General Health District, Hardin County, (the District), as of and for the years ended December 31, 2016 and 2015.

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.

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 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, 2016 and 2015, 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, as of December 31, 2016 and 2015, 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 April 4, 2017, on our consideration of the District's internal control over financial reporting and on 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
April 4, 2017

**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, 2016

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Intergovernmental	\$ 293,160	\$ 115,734	\$ 408,894
Inspection Fees	-	23,480	23,480
Permits	-	17,828	17,828
Other Fees	214,960	50,495	265,455
Licenses	-	50,306	50,306
Contractual	19,866	-	19,866
Other Receipts	-	3,704	3,704
<i>Total Cash Receipts</i>	<u>527,986</u>	<u>261,547</u>	<u>789,533</u>
Cash Disbursements			
Current:			
Health:			
Salaries	246,895	129,299	376,194
Supplies	105,807	21,312	127,119
Remittances to State	24,430	7,963	32,393
Equipment	-	4,479	4,479
Contracts - Services	-	24,459	24,459
Travel and Expenses	4,783	6,128	10,911
Compensation & Damages	4,999	-	4,999
Hospitalization	50,682	-	50,682
OPERS	35,761	19,584	55,345
Workers Comp	2,510	1,483	3,993
Other Expenses	45,475	8,118	53,593
<i>Total Cash Disbursements</i>	<u>521,342</u>	<u>222,825</u>	<u>744,167</u>
<i>Net Change in Fund Cash Balances</i>	6,644	38,722	45,366
<i>Fund Cash Balances, January 1</i>	<u>204,781</u>	<u>172,694</u>	<u>377,475</u>
Fund Cash Balances, December 31			
Restricted	-	211,416	211,416
Assigned	131,364	-	131,364
Unassigned	80,061	-	80,061
<i>Fund Cash Balances, December 31</i>	<u>\$ 211,425</u>	<u>\$ 211,416</u>	<u>\$ 422,841</u>

See accompanying notes to the financial statements.

**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, 2015

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Intergovernmental	\$ 279,192	\$ 163,476	\$ 442,668
Inspection Fees	-	23,216	23,216
Permits	-	20,193	20,193
Other Fees	153,194	35,731	188,925
Licenses	-	53,567	53,567
Contractual	11,324	-	11,324
Other Receipts	-	1,050	1,050
<i>Total Cash Receipts</i>	<u>443,710</u>	<u>297,233</u>	<u>740,943</u>
Cash Disbursements			
Current:			
Health:			
Salaries	217,033	125,883	342,916
Supplies	45,974	26,270	72,244
Remittances to State	22,020	8,417	30,437
Equipment	-	7,591	7,591
Contracts - Services	-	24,945	24,945
Travel and Expenses	4,983	7,909	12,892
Compensation & Damages	4,999	-	4,999
Hospitalization	37,215	-	37,215
OPERS	30,411	19,471	49,882
Workers Comp	2,493	1,767	4,260
Other Expenses	32,822	15,225	48,047
<i>Total Cash Disbursements</i>	<u>397,950</u>	<u>237,478</u>	<u>635,428</u>
<i>Net Change in Fund Cash Balances</i>	45,760	59,755	105,515
<i>Fund Cash Balances, January 1</i>	<u>159,021</u>	<u>112,939</u>	<u>271,960</u>
Fund Cash Balances, December 31			
Restricted	-	172,694	172,694
Assigned	126,593	-	126,593
Unassigned	78,188	-	78,188
<i>Fund Cash Balances, December 31</i>	<u>\$ 204,781</u>	<u>\$ 172,694</u>	<u>\$ 377,475</u>

See accompanying notes to the financial statements.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

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. A five-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 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

B. 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

C. 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. 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 the proceeds from 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:

CFHS Grant Fund - This fund is received state grant revenues for promoting the wellness of children & working on Community Health Assessment.

Medical Reserve Corp (MRC) - This fund receives revenues to promote and organize volunteers for MRC related activities.

Help Me Grow (HMG) Fund - This fund revenues to promote family well-being and supports parenting and developmental education.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 2016 and 2015 budgetary activity appears in Note 4.

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, 2016 and 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 443,000	\$ 527,986	\$ 84,986
Special Revenue	280,070	261,547	\$ (18,523)
Total	\$ 723,070	\$ 789,533	\$ 66,463

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 3 - BUDGETARY ACTIVITY (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 618,901	\$ 521,342	\$ 97,559
Special Revenue	354,585	222,825	\$ 131,760
Total	\$ 973,486	\$ 744,167	\$ 229,319

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 440,000	\$ 443,710	\$ 3,710
Special Revenue	287,000	297,233	\$ 10,233
Total	\$ 727,000	\$ 740,943	\$ 13,943

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 415,000	\$ 397,950	\$ 17,050
Special Revenue	318,200	237,478	\$ 80,722
Total	\$ 733,200	\$ 635,428	\$ 97,772

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 - 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, 2016 and 2015**

NOTE 6 - 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 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 pay judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available).

	<u>2015</u>	<u>2016</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$8,038,250.

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

<u>Contributions to PEP</u>	
<u>2015</u>	<u>2016</u>
\$4,999	\$4,999

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.

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

**Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 7 - 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 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, 2016.

NOTE 8 - 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. OPERS contributes 2 percent of employer contribution to fund these benefits.

NOTE 9 - 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.



**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, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated April 4, 2017, wherein we noted the District followed financial reporting provisions that 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. 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 testing 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, Inc.
Columbus, Ohio
April 4, 2017

Kenton-Hardin General Health District
Hardin County
Schedule of Prior Audit Findings
December 31, 2016 and 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	Accountability over free and reduced fee services and insurance billings for fees	Yes	

This page intentionally left blank.



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
JUNE 20, 2017**