



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

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

To the Members of the Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

June 12, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the Kenton-Hardin General Health District, Hardin County, (the District) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and December 31, 2005, or its changes in financial position for the year then ended.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Kenton-Hardin General Health District, Hardin County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 12, 2007



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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$231,169	\$118,291	\$349,460
Inspection fees	10,975		10,975
Permits	10,400	12,483	22,883
Other fees	113,775	69,849	183,624
Licenses	2,550	1,340	3,890
Contractual services		60,199	60,199
Other receipts	9,171	807	9,978
Total Cash Receipts	<u>378,040</u>	<u>262,969</u>	<u>641,009</u>
<b>Cash Disbursements:</b>			
Salaries	186,658	162,124	348,782
Supplies	34,092	12,722	46,814
Remittances to State	18,965	12,618	31,583
Equipment		41,815	41,815
Contracts - Services		332	332
Travel	4,023	8,866	12,889
Liability Insurance	3,552		3,552
Medical Insurance	56,096		56,096
Public employee's retirement	27,419	24,177	51,596
Worker's compensation	4,014	3,319	7,333
Other	15,916	13,525	29,441
Total Disbursements	<u>350,735</u>	<u>279,498</u>	<u>630,233</u>
Total Receipts Over/(Under) Disbursements	<u>27,305</u>	<u>(16,529)</u>	<u>10,776</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In	5,458	10,000	15,458
Advances-Out	(10,000)	(5,458)	(15,458)
Reimbursements	400		400
Total Other Financing Receipts/(Disbursements)	<u>(4,142)</u>	<u>4,542</u>	<u>400</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,163	(11,987)	11,176
Fund Cash Balances, January 1	<u>134,672</u>	<u>177,536</u>	<u>312,208</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$157,835</u></b>	<b><u>\$165,549</u></b>	<b><u>\$323,384</u></b>
Reserves for Encumbrances, December 31	<u>\$7,700</u>	<u>\$389</u>	<u>\$8,089</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental	\$239,439	\$134,050	\$373,489
Inspection fees	6,450		6,450
Permits	5,200	15,797	20,997
Other fees	97,821	62,694	160,515
Licenses	2,500	3,025	5,525
Contractual services		61,032	61,032
Other receipts	6,700	785	7,485
Total Cash Receipts	<u>358,110</u>	<u>277,383</u>	<u>635,493</u>
<b>Cash Disbursements:</b>			
Salaries	186,720	151,133	337,853
Supplies	26,967	11,731	38,698
Remittances to State	18,898	10,529	29,427
Equipment		36,782	36,782
Travel	3,762	8,724	12,486
Liability Insurance	3,483		3,483
Medical Insurance	48,934		48,934
Public employee's retirement	27,124	21,760	48,884
Worker's compensation	3,091	2,521	5,612
Unemployment compensation		62	62
Other	21,696	8,420	30,116
Total Disbursements	<u>340,675</u>	<u>251,662</u>	<u>592,337</u>
Total Receipts Over Disbursements	<u>17,435</u>	<u>25,721</u>	<u>43,156</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Advances-In	17,000	10,000	27,000
Advances-Out	<u>(10,000)</u>	<u>(17,000)</u>	<u>(27,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>7,000</u>	<u>(7,000)</u>	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	24,435	18,721	43,156
Fund Cash Balances, January 1	<u>110,237</u>	<u>158,815</u>	<u>269,052</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$134,672</u></b>	<b><u>\$177,536</u></b>	<b><u>\$312,208</u></b>
Reserves for Encumbrances, December 31	<u>\$4,358</u>	<u>\$750</u>	<u>\$5,108</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, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Kenton-Hardin County General Health District, Hardin County, (the District) as a body corporate and politic. A 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. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State's accounting basis requires.

**C. Cash**

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The County's cash and investment pool holds the District's assets, valued at the County 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 accounts for all financial resources except those restricted by law or contract.

**2. Special Revenue Funds**

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

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

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

**Infrastructure Grant** – 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, 2006 AND 2005  
(Continued)**

**1. 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 Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 2.

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

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

**G. Accumulated Leave**

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

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$323,300	\$378,440	\$55,140
Special Revenue	269,486	262,969	(6,517)
Total	\$592,786	\$641,409	\$48,623

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. BUDGETARY ACTIVITY (Continued)**

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$415,258	\$358,435	\$56,823
Special Revenue	347,627	279,887	67,740
Total	<u>\$762,885</u>	<u>\$638,322</u>	<u>\$124,563</u>

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$318,700	\$358,110	\$39,410
Special Revenue	278,144	277,383	(761)
Total	<u>\$596,844</u>	<u>\$635,493</u>	<u>\$38,649</u>

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$373,139	\$345,033	\$28,106
Special Revenue	352,236	252,412	99,824
Total	<u>\$725,375</u>	<u>\$597,445</u>	<u>\$127,930</u>

**3. INTERGOVERNMENTAL FUNDING**

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

**4. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 percent and 8.5 percent, respectively of their gross salaries. The District contributed an amount equal to 13.70 percent and 13.55 percent, respectively of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

**Property Coverage**

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<b>Casualty Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<b>Property Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$7,606. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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

<b>Contributions to PEP</b>	
2004	\$3,463
2005	\$3,483
2006	\$3,552

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Members of the Board:

We have audited the financial statements of the Kenton-Hardin General Health District, Hardin County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 12, 2007, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, Board of Health. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 12, 2007

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Significant Deficiency**

**Monitoring of Financial Activity**

To assist in the effective management of financial resources, the governing body of an entity should frequently be provided with reports that reflect the financial operations of the entity. At minimum, these reports should be presented at the fund level, include fund balances, budget versus actual revenue activity, and budget versus actual expenditures at the legal level. The financial officer of an entity should have controls in place to provide for the accuracy of these reports.

As requested by the District's Board, the Clerk Registrar prepared a monthly financial report from the financial reports provided by the Hardin County Auditor, who was the District's fiscal agent. This monthly financial report was not consistent with the presentation used for the District's annual financial statements, was not consistent with the format used to approve the annual budgeted revenues and expenditures, and did not present activity by fund. In addition, procedures were not in place to determine that this financial report actually reconciled to the financial reports provided by the fiscal agent.

The failure to monitor financial activity consistent with the presentation used to adopt the annual budgeted revenues and expenditures inhibited the Board's ability to detect variances from financial goals. In addition, by not monitoring financial activity at the fund level, there is an increased risk of deficit spending and of errors and/or irregularities occurring and not being detected in a timely manner. The lack of controls to help provide reports presented to the Board reconcile to the supporting accounting ledgers could result in the Board monitoring inaccurate information.

Failure to balance with the revenue and expenditure accounting records of the fiscal agent could result in erroneous fund balances and transactions being maintained in the computer program utilized by the Health District which also results in erroneous reports being made to the Board of Health.

The Board and/or the audit committee should be provided with financial reports that are consistent with the presentation used to adopt the annual budgeted revenues and expenditures. In addition, the financial reports should include fund balances and budgeted versus actual revenues and expenditures. The District's fiscal agent should be utilized for assistance to help provide these financial reports. If the District's Clerk Registrar compiles the suggested reports from information provided by the fiscal agent, reconciliation procedures should be implemented to provide for accuracy of the Clerk Registrar's reports. Evidence of the reports reviewed and approved by the Board and/or audit committee should be documented on the reports and/or noted in the minutes.

**FINDING NUMBER 2006-002**

**Significant Deficiency**

**Accountability over Immunization and Flu Shot Receipts**

To help reduce the risk of errors and/or irregularities, an entity should have procedures in place to account for inventory sold and for price reductions given on the sale of inventory. The District administered various immunizations and flu shots to individuals during the year. Each day that shots were administered, a form tracking all of the people receiving shots and the types of shots they received was completed. However, this form did not document the individuals that either could not pay or paid a reduced fee. As a result, the District could not determine whether the amount actually collected for the immunizations and flu shots on any given day was correct. Based on the number of immunization and flu shots given and reported on the State Accountability report, the amount of free or reduced price shots not documented was \$8,791 in 2006 and \$6,865 in 2005. In addition, the number of shots administered per the State Accountability reports did not agree to the number issued per the "Annual Report" that was given to the Board.

Failure to document whether or not a person paid for an immunization or flu shot could lead to errors and/or irregularities that could go undiscovered in the normal course of business. Failure to provide accurate information in the annual reports inhibits the Board's ability to make informed decisions based on accurate information.

The District should establish procedures to help assure accountability over immunization and flu shot receipts. These 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 people receiving shots and the types of shots they receive. The form should also document the individuals that either received a reduced price or did not pay for the immunizations or flu shots. If the payment information is documented on a separate form, then this form should be maintained with the log tracking the person receiving the shot and the type of shot administered. These forms should then be reviewed by the Health Commissioner or a person independent of the immunization process to make sure that all information is consistent and there appears to be no unusual transactions occurring. The person performing the review should affix his/her initials on the form to provide evidence that the forms were reviewed and nothing looked out of the ordinary. Also, the number of immunization and flu shots reported in the District's "Annual Report" should be obtained from the State Accountability Reports.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

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>
2004-001	Ohio Rev. Code Section 117.38 – did not file annual reports or publish notice of availability.	Yes	
2004-002	Monitoring of Financial Activity	No	Repeated as Finding 2006-001





**Mary Taylor, CPA**  
Auditor of State

**KENTON-HARDIN GENERAL HEALTH DISTRICT**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 7, 2007**