



**Auditor of State
Betty Montgomery**

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

District Board of Health
Morgan County
4275 N. State Route 346
McConnelsville, Ohio 43756

To Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morgan County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 District Board of Health, Morgan County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the District Board of Health and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 28, 2004

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**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$150,492	\$22,700	\$173,192
Licenses, Permits, and Fees	31,017	21,088	52,105
Other receipts	1,570	140	1,710
Total Cash Receipts	<u>183,079</u>	<u>43,928</u>	<u>227,007</u>
Cash Disbursements:			
Salaries	161,282	28,003	189,285
Supplies	6,392	19	6,411
Remittances to State	1,935	3,918	5,853
Equipment	2,669	2,401	5,070
Contracts - Repair	715		715
Contracts - Services	18		18
Travel	2,039		2,039
Medicare	1,102	402	1,504
Advertising and printing	1,059		1,059
Public employee's retirement	17,242	3,755	20,997
Worker's compensation	1,059	201	1,260
Insurance	18,212		18,212
Other	9,280	525	9,805
Total Cash Disbursements	<u>223,004</u>	<u>39,224</u>	<u>262,228</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(39,925)</u>	<u>4,704</u>	<u>(35,221)</u>
Fund Cash Balances, January 1	<u>98,150</u>	<u>31,025</u>	<u>129,175</u>
Fund Cash Balances, December 31	<u>\$58,225</u>	<u>\$35,729</u>	<u>\$93,954</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$143,042	\$8,000	\$151,042
Licenses, Permits, Fees	32,587	22,362	54,949
Other receipts		245	245
Total Cash Receipts	<u>175,629</u>	<u>30,607</u>	<u>206,236</u>
Cash Disbursements:			
Salaries	124,713	23,670	148,383
Supplies	6,238	163	6,401
Remittances to State	1,622	4,440	6,062
Equipment	932		932
Contracts - Repair	989		989
Contracts - Services	76		76
Travel	1,742	83	1,825
Medicare	950	343	1,293
Advertising and printing	810		810
Public employee's retirement	17,606	3,250	20,856
Worker's compensation	755	136	891
Insurance	15,699		15,699
Other	13,639	989	14,628
Total Cash Disbursements	<u>185,771</u>	<u>33,074</u>	<u>218,845</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,142)</u>	<u>(2,467)</u>	<u>(12,609)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		2,616	2,616
Transfers-Out	(2,616)	0	(2,616)
Total Other Financing Receipts/(Disbursements)	<u>(2,616)</u>	<u>2,616</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(12,758)</u>	<u>149</u>	<u>(12,609)</u>
Fund Cash Balances, January 1	<u>110,908</u>	<u>30,876</u>	<u>141,784</u>
Fund Cash Balances, December 31	<u><u>\$98,150</u></u>	<u><u>\$31,025</u></u>	<u><u>\$129,175</u></u>
Reserves for Encumbrances, December 31	<u><u>\$5,401</u></u>	<u><u>\$0</u></u>	<u><u>\$5,401</u></u>

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

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The District Board of Health, Morgan County, Ohio (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board and a Health Commissioner. Board members are appointed by the District Advisory Council for staggered five year terms. The District Advisory Council is made up of the president of the Board of County Commissioners, the chief executive of each municipal corporation not constituting a city health district and the chairman of the Board of Trustees of each Township. Services provided by the District include referrals to the Bureau of Crippled Children Services Program, communicable disease investigations, immunization clinics, various inspections, birth and death certificates, issuance of various licenses and permits, and other related services.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

As required by the Ohio Revised Code, the Morgan County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount. The disclosure of the County's deposits and investments at December 31, 2003 and 2002 is made in the County's annual financial reports for the years ended December 31, 2003 and 2002.

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 is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

2. Special Revenue Funds

These funds are used to 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:

Food Service Fund – This fund receives food service permit monies.

Solid Waste Fund – This fund receives payments from the Southeastern Ohio Joint Solid Waste Management District for contractual solid waste services.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2003 and 2002 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$168,987	\$183,079	\$14,092
Special Revenue	26,111	43,928	17,817
Total	\$195,098	\$227,007	\$31,909

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$252,049	\$223,004	\$29,045
Special Revenue	60,930	39,224	21,706
Total	<u>\$312,979</u>	<u>\$262,228</u>	<u>\$50,751</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,987	\$175,629	\$5,642
Special Revenue	37,111	33,223	(3,888)
Total	<u>\$207,098</u>	<u>\$208,852</u>	<u>\$1,754</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,407	\$193,788	\$46,619
Special Revenue	35,696	33,074	2,622
Total	<u>\$276,103</u>	<u>\$226,862</u>	<u>\$49,241</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. These amounts are included in intergovernmental receipts in the financial statements.

4. RETIREMENT SYSTEM

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Nurses' Liability
- Errors and Omissions

6. RISK POOL MEMBERSHIP

The District belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

District Board of Health
Morgan County
4275 N. State Route 346
McConnelsville, Ohio 43756

To Members of the Board:

We have audited the accompanying financial statements of the District Board of Health, Morgan County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 28, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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District Board of Health
Morgan County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the District Board of Health, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 28, 2004

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

Reportable Condition

The District Board of Health (the District) offered various fee-generating immunizations and services. When an immunization and/or service was administered, a fee was charged and, in most instances, collected. The following weaknesses were noted while reviewing these procedures:

- There were instances where the patient was not able to pay the applicable fee and collection did not occur; however, there was no record maintained for these instances.
- There was no reconciliation of shots administered to the fees collected. There was a form prepared by the nurse or assistant that stated the service was provided but these slips were discarded once payment was made.
- Periodically an inventory was performed of doses on hand, but it was not a complete inventory and it was not reconciled to doses purchased and administered.

Following these procedures could allow errors and/or irregularities to occur and remain undetected by management in timely manner.

We recommend the District implement policies and procedures to improve the controls over these over-the-counter cash collections. These procedures could include:

- Within the clinic, numerically controlled forms which document the type of service each patient receives could be maintained. This form could be signed by the nurse and the patient to verify services provided. The Secretary would review the form in order to charge the proper fee and/or record the ultimate disposition of the fees (i.e., receipt number and billing information or indicate no charge and the reason/support, etc.). These slips could be kept on file, with the numerical sequence accounted for and a comparison to collections being performed daily.
- A complete and accurate inventory of immunizations could be maintained. Purchases and shots administered could be reconciled to this inventory to ensure its accuracy. The inventory could then be submitted to management for review/approval/inspection. Management could then use this inventory to make comparisons to actual collections for the period.

**DISTRICT BOARD OF HEALTH
MORGAN COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2003**

**Corrective Action Plan for Finding Number 2003-001 as provided
by Terry E. McGrew, Administrator**

Management intends to continue to maintain a sign in sheet whereby all clients that come into the Health Department will be documented. The Fee and Services Rendered Form will be enhanced to include a pre-printed number that connects the client with the fees and services rendered. The Form will also include the date of services and a space for recording the receipt number. The newly hired Director of Nursing will continue to work diligently on establishing and maintaining an accurate inventory of all vaccines. The enhanced Fee and Services Rendered Form will facilitate the vaccine and immunization inventory process.



**Auditor of State
Betty Montgomery**

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MORGAN COUNTY DISTRICT BOARD OF HEALTH

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2004**