



Mary Taylor, CPA
Auditor of State

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

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Mary Taylor, CPA

Auditor of State

Zanesville Muskingum County General Health District
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Members of the Board of Health:

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 an 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 adverse 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.

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

Mary Taylor, CPA
Auditor of State

November 29, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Zanesville Muskingum County General Health District
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Members of the Board of Health:

We have audited the accompanying financial statement of the Zanesville Muskingum County General Health District, Muskingum County, Ohio (the Health District), as of and for the year ended December 31, 2006. This financial statement is the responsibility of the Health District's management. Our responsibility is to express an opinion on this financial statement 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 Health District has prepared its financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Health District's larger (i.e., major) funds separately. While the Health District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require health districts to reformat their statements. The Health District has elected not to follow GAAP statement formatting requirements. 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 statement referred to above for the year ended December 31, 2006 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Health District as of December 31, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Zanesville Muskingum County General Health District, Muskingum County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Health 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 November 29, 2007, on our consideration of the Health 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.



Mary Taylor, CPA
Auditor of State

November 29, 2007

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Federal awards		\$386,059		\$386,059
Intergovernmental	\$2,549,068	267,785		2,816,853
Vital Statistics	205,789			205,789
Medical and Dental	411,038	50,724		461,762
Environmental	382,508	192,408		574,916
Insurance reimbursements	66,159			66,159
Contractual services		123,210		123,210
Miscellaneous	27,168	1,725	\$1,605,727	1,634,620
Total Cash Receipts	<u>3,641,730</u>	<u>1,021,911</u>	<u>1,605,727</u>	<u>6,269,368</u>
Cash Disbursements:				
Salaries and Benefits	2,208,805	552,535		2,761,340
Staff Training	7,354	12,903		20,257
Travel	25,157	18,803		43,960
Contracts	233,166	370,778		603,944
Other Personnel Expenses		8,300		8,300
Building and Equipment	131,508	37,884		169,392
Supplies	114,080	47,478		161,558
Advertising	9,721	30,549		40,270
Communication	14,776	8,101		22,877
Other	158,367	11,749	1,427,707	1,597,823
Remit to State	111,648	26,965		138,613
Total Cash Disbursements	<u>3,014,582</u>	<u>1,126,045</u>	<u>1,427,707</u>	<u>5,568,334</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>627,148</u>	<u>(104,134)</u>	<u>178,020</u>	<u>701,034</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	10	92,125	137,536	229,671
Advances-In	194,779	193,780		388,559
Transfers-Out	(703)	(91,432)	(137,536)	(229,671)
Advances-Out	(193,780)	(194,779)		(388,559)
Total Other Financing Receipts/(Disbursements)	<u>306</u>	<u>(306)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>627,454</u>	<u>(104,440)</u>	<u>178,020</u>	<u>701,034</u>
Fund Cash Balances, January 1	<u>2,053,547</u>	<u>514,610</u>	<u>306,467</u>	<u>2,874,624</u>
Fund Cash Balances, December 31	<u>\$2,681,001</u>	<u>\$410,170</u>	<u>\$484,487</u>	<u>\$3,575,658</u>
Reserves for Encumbrances, December 31	<u>\$25,749</u>	<u>\$5,974</u>	<u>\$20,738</u>	<u>\$52,461</u>

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

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**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Zanesville Muskingum County General Health District, Muskingum County (the Health 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 Health District is directed by a seven-member Board and a Health Commissioner. Three Board members are appointed by Zanesville City Council, three are appointed by the District Advisory Council and one is appointed by the Licensing Council. 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 chairman of Board of Trustees of each Township. The Health District's services include medical clinics, dental service, communicable disease investigations, immunization clinics, various inspections, public health nursing services, issuance of various licenses and permits, and other related services.

The Health District's management believes this financial statement presents all activities for which the Health District is financially accountable.

B. Basis of Accounting

The financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Health 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 Health District's cash. The County's cash and investment pool holds the Health District's assets, valued at the County Treasurer's reported carrying amount.

D. Fund Accounting

The Health District uses fund accounting to segregate cash and investments that are restricted as to use. The Health District classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

2. Special Revenue Funds

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

Tobacco Prevention Fund - This fund receives grant revenue from the Tobacco Use Prevention and Control Foundation to be used for various tobacco prevention activities/projects.

Bio-terrorism Grant Fund - This fund receives federal grant revenue to be used for controlling communicable disease, chronic diseases and disorders, and other preventable health conditions.

3. Fiduciary Fund

This fund accounts for resources for which the Health District is acting in an agency capacity. The Health District had the following significant Fiduciary Fund:

Pro Muskingum Families & Children First Council Fund - The Zanesville Muskingum County General Health District serves as the fiscal agent and administrative agent for the Pro Muskingum Families & Children First Council. The Council receives federal, state, and local monies to assist eligible families by providing and promoting various types of public assistance.

E. Budgetary Process

The Ohio Revised Code requires the Health 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 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.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Health 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 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Health 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 accompanying financial statement does not include a liability for unpaid leave.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,372,699	\$3,641,740	\$269,041
Special Revenue	1,289,911	1,114,036	(175,875)
Total	\$4,662,610	\$4,755,776	\$93,166

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,315,612	\$3,041,034	\$274,578
Special Revenue	1,370,071	1,223,451	146,620
Total	\$4,685,683	\$4,264,485	\$421,198

3. INTERGOVERNMENTAL FUNDING

The Health District receives receipts from levies authorized by the Board of County Commissioners as a special taxing authority under Ohio Revised Code § 3709.29. A ½ mill levy will be collected through 2008 and a 1 mill levy will be collected through 2013. These levies generated \$1,685,665 during 2006. The financial statement reports this amount as intergovernmental receipts.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

4. RETIREMENT SYSTEM

The Health 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 retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9 percent of their gross salaries. The District contributed an amount equal to 13.7 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2006.

5. RISK MANAGEMENT

Commercial Insurance

The Health District is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes risk of loss up to limits of the Health District's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 6 to the financial statement includes additional information on the Pool.

The Health District provides health and dental insurance to full-time employees through a limited risk health insurance program that is maintained by Muskingum County. Premiums are paid to a third party, Aultra Administrative Group. The claims are processed and monitored by the County insurance administrator in conjunction with the third party administrator.

The Health District also provides vision and life insurance to full-time employees through a private carrier.

6. RISK POOL MEMBERSHIP

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

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

The Health 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.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

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.

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:

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

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
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 Health District's share of these unpaid claims collectible in future years is approximately \$75,000. This payable includes the subsequent year's contribution due if the Health District 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.

<u>Contributions to PEP</u>	
2004	\$34,954
2005	\$34,884
2006	\$37,541

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.

7. CONTINGENT LIABILITIES

Management is not aware of any pending litigation against the Health District.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, the management believes such refunds, if any, would not be material.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006
(Continued)**

8. JOINTLY GOVERNED ORGANIZATION

The Pro Muskingum Families & Children First Council is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is comprised of the following members: Director of the Zanesville Muskingum County General Health District, Superintendent of Zanesville City School District, Superintendent of Muskingum County Educational Service Center, Director of the ADAMH Board, Director of the Muskingum County Department of Job and Family Services, Director of the Muskingum County Children Services Board, a United Way representative, an Eastside Community Services representative, a Zanesville Civic League representative, a Behavioral Health representative, a county commissioner, representatives from the public sector, and a representative from a local hospital. Continued existence of the Council is not dependent on the Health District's continued financial participation, no equity interest exists, and no debt is outstanding.

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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*

Zanesville Muskingum County General Health District
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Members of the Board of Health:

We have audited the financial statement of the Zanesville Muskingum County General Health District, Muskingum County, Ohio (the Health District), as of and for the year ended December 31, 2006, and have issued our report thereon dated November 29, 2007, wherein we noted the Health District followed accounting practices the Auditor of State prescribes 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 Health District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Health District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Health 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 Health 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 Health 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 through 2006-002.

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

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.

We also noted a certain internal control matter that we reported to the Health District's management in a separate letter dated November 29, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Health District's financial statement is 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*.

The Health District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Health District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

November 29, 2007

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Significant Deficiency – Clinic Fees

A well-designed system of internal control will help assure that fees collected for services provided are charged in the amounts authorized by the Board.

The Clinic maintained a computerized billing system with pre-programmed fees for the various services offered. However, the system allowed an individual to override these pre-programmed fees and change the amount being charged. The Clinic had no procedures in place to track and approve the changes made to the pre-programmed fees including adjustments made as a result of the sliding fee scale.

This could result in inaccurate or inappropriate modifications to the approved fee schedule.

We recommend the Clinic develop policies and procedures to ensure any changes to the pre-programmed fees are adequately documented, reviewed and approved.

Officials' Response

We agree any changes made to pre-programmed fees should have an authorized signature from the supervisor of the clinic. We will develop a policy to address this issue.

FINDING NUMBER 2006-002

Significant Deficiency – Clinic Reporting and Reconciling

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitoring financial and operational activities.

The Clinic printed monthly reports to document the daily and monthly totals for each Clinic activity. However, insurance receipts, insurance adjustments, Medicaid receipts, Medicaid adjustments, and bad debt adjustments were not included on the monthly reports. As a result, the monthly reports did not provide sufficient information to enable the Clinic to reconcile its total monthly collections to amounts on pay-ins and did not allow management to adequately monitor the various financial aspects of the Clinic. This could allow errors or irregularities to occur and go undetected by management.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Significant Deficiency – Clinic Reporting and Reconciling (Continued)

The Clinic should prepare a report monthly to recap the following:

- The total accounts receivable that was outstanding at the beginning of the month.
- The amount that was billed for patient services during the month.
- The amount of cash and checks that were received for services during the month. The Clinic should reconcile the amounts credited to the accounts receivable listing each month to the related cash deposits for the month.
- The amount of adjustments (sliding fee scale) that were made during the month.
- The amount of Medicaid receipts and Medicaid adjustments during the month.
- The amount of other adjustments (bad debt write-off adjustments, after date-of-service adjustments, and other adjustments) that were made during the month. A Supervisor should approve and sign each adjustment.
- The total accounts receivable that was outstanding at the end of the month.

This reporting process would allow the Clinic to reconcile all its financial activity for the month. Supporting detailed reports should be available to support each of these monthly totals. This monthly report should be signed by the employee preparing the report and be reviewed and signed by another designated Clinic employee who is knowledgeable of Clinic operations. The individual reviewing the report should gain assurances the report is complete and supported by detailed documentation.

We recommend the Clinic develop procedures to ensure monthly and annual reports which document the total financial activity that occurred in the Clinic are prepared, reviewed by management and agreed to the Health District's financial records.

Officials' Response

We agree this is an area which we are working to bring into compliance. New policies have been introduced and new procedures have been put in place. We continue to work with our software provider to provide reports needed to document this process.

We believe most of the information is available to be reported. We need to find the correct combination of reports to generate the information required.

**ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	A reportable condition was issued regarding the allowance of Clinic personnel to override pre-programmed fees in its billing system with no tracking or approval system in place.	No	Partially Corrected. During the latter part of 2006, the employees began consistently entering the entire amount of the billings; then entering a separate "write off" into the system when the sliding fee schedule was applied. This finding is repeated in the Schedule of Findings as item 2006-001.
2005-002	A reportable condition was issued regarding the Clinic department's ability to report and reconcile its total financial activity.	No	Not Corrected. This finding is repeated in the Schedule of Findings as item 2006-002.



Mary Taylor, CPA
Auditor of State

ZANESVILLE MUSKINGUM COUNTY GENERAL HEALTH DISTRICT

MUSKINGUM 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
DECEMBER 31, 2007**