



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Health:

We have audited the accompanying financial statement of Zanesville–Muskingum County General Health District, Muskingum County, Ohio (the Health District), as of and for the year ended December 31, 2003. 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 *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 described Note 1, the Health District prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Zanesville–Muskingum County General Health District, Muskingum County, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2004, 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 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.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. We subjected this information to the auditing procedures applied in the audit of the financial statement. In our opinion, it is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Section 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". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 9, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Federal awards	\$	\$439,043	\$	\$439,043
Intergovernmental	1,199,148	375,199		1,574,347
Licenses, Permits, Fees	904,995	292,763		1,197,758
Contractual services	449,105	171,392		620,497
Donations	25,887	1,685		27,572
Other receipts	11,532	17,055	1,463,762	1,492,349
<b>Total Cash Receipts</b>	<b>2,590,667</b>	<b>1,297,137</b>	<b>1,463,762</b>	<b>5,351,566</b>
<b>Cash Disbursements:</b>				
Salaries	1,840,005	99,948		1,939,953
Supplies	103,499	34,138		137,637
Remittances to State	51,713	17,916		69,629
Equipment	7,654	42,630		50,284
Contracts - Repair & Services	224,337	310,759		535,096
Rentals	101,395	39,460		140,855
Travel	34,504	17,194		51,698
Permit Fees		8,850		8,850
Insurance	363,483			363,483
Staff Training / Development	9,477	7,037		16,514
Advertising and printing	3,407	92,045		95,452
Public employee's retirement	249,496	13,151		262,647
Worker's compensation	15,734	258		15,992
Salary and Insurance Reimbursements		562,073		562,073
Other	105,960	29,891	1,400,979	1,536,830
<b>Total Cash Disbursements</b>	<b>3,110,664</b>	<b>1,275,350</b>	<b>1,400,979</b>	<b>5,786,993</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(519,997)</b>	<b>21,787</b>	<b>62,783</b>	<b>(435,427)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		22,959		22,959
Advances-In	17,510	17,510		35,020
Transfers-Out	(114)	(22,845)		(22,959)
Advances-Out	(17,510)	(17,510)		(35,020)
Salary and Insurance Reimbursements	745,883			745,883
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>745,769</b>	<b>114</b>	<b>0</b>	<b>745,883</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>225,772</b>	<b>21,901</b>	<b>62,783</b>	<b>310,456</b>
<b>Fund Cash Balances, January 1</b>	<b>244,418</b>	<b>370,185</b>	<b>292,991</b>	<b>907,594</b>
<b>Fund Cash Balances, December 31</b>	<b>\$470,190</b>	<b>\$392,086</b>	<b>\$355,774</b>	<b>\$1,218,050</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$10,779</b>	<b>\$1,255</b>		<b>\$12,034</b>

*The notes to the financial statement 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, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Zanesville-Muskingum County General Health District, Muskingum County, Ohio (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 the 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.

The Health District serves as the fiscal agent for the Muskingum Family & Children First Council, but is not financially accountable for their operations. Accordingly, the activity of the Muskingum Family & Children First Council is presented as an agency fund in the Health District's financial statement. Additional information concerning the Council is presented in Note 9.

**B. Basis of Accounting**

This financial statement follows 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).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

As required by Ohio Revised Code, the County Treasurer is custodian for the Health District's cash. The Health District's assets are held in the County's cash and investment pool, and are 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 is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**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 Health District had the following significant Special Revenue Funds:

*Food Service Fund* – This fund is used to account for income from licenses sold to residents for food service operations.

*Dental Sealant Fund* – This fund is used to account for receipts from dental services provided to students within the City and/or County schools.

*Child and Family Health Services Fund* – This fund receives state and federal grant money to provide supplemental prenatal and pediatric care programs as an adjunct to good health care to low-income persons in critical periods of growth and development.

*Cardiovascular Fund* – This fund receives federal grant money to be used for preventative health service programs for activities to achieve improvements in cardiovascular health.

*Pro-Muskingum Fund* – This fund receives contract revenue and donations to be used for a variety of community enhancement initiatives.

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

*Bio-terrorism Contract Fund* – This fund receives contract revenue from an eleven county area to be used to pay for the shared services of two epidemiologists and related travel and supply expenses.

*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.

**3. Fiduciary Funds (Trust and Agency Funds)**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Health District is acting in an agency capacity. The Health District had the following significant Fiduciary Fund:

*Muskingum Family & Children First Council Fund* – The Zanesville–Muskingum County General Health District serves as the fiscal agent and administrative agent for the Muskingum Family & Children First Council. These Council funds receive federal, state, and local monies to assist eligible families by providing and promoting various types of public assistance.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003  
(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 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 2003 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 statement.

**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 Health District's basis of accounting.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 21, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,182,724	\$3,336,550	\$153,826
Special Revenue	1,466,611	1,320,096	(146,515)
Total	\$4,649,335	\$4,656,646	\$7,311

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003  
(Continued)**

**2. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,338,858	\$3,139,899	\$198,959
Special Revenue	1,662,293	1,281,108	381,185
Total	\$5,001,151	\$4,421,007	\$580,144

**3. INTERGOVERNMENTAL FUNDING**

The Health District receives receipts from two, ½ mill levies authorized by the Board of County Commissioners as a special taxing authority under Ohio Rev. Code § 3709.29. One levy will be collected through 2008, while the other will run through 2004.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Health District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Health District.

**5. RETIREMENT SYSTEM**

The Health 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, PERS members contributed 8.5% of their gross salaries. The Health District contributed an amount equal to 13.55% of participants' gross salaries. The Health District has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

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

- Legal Liability for Third Party Claims;
- Employee Benefit Liability;
- Employment Expense;

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

- Good Samaritan;
- Injunctive Relief;
- Automobile Liability;
- Wrongful Acts;
- Medical Expenses;
- Medical Malpractice;
- Post-Judgment Interest;
- Stop Gap;
- Pollution Liability;
- Chlorine;
- Pesticides; and
- Anti-Skid Material Storage and Application.

Note 7 to the financial statements 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, Coresource, Inc. The claims are processed and monitored by a 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.

**7. RISK POOL MEMBERSHIP**

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.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP=s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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.

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, 2003:

<u>Casualty Coverage</u>	<u>2003</u>
Assets	\$25,288,098
Liabilities	<u>(12,872,985)</u>
Retained earnings	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2003</u>
Assets	\$3,158,813
Liabilities	<u>(792,061)</u>
Retained earnings	<u>\$2,366,752</u>

**8. 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.

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Muskingum Family & 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 the 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 Behavior 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.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Health</i>			
Immunization Grant	93.268	60-1-001-2-AZ-02 60-1-001-2-AZ-03	\$ 3,750 <u>16,012</u>
Total Immunization Grant			<u>19,762</u>
<i>Passed Through Ohio Department of Health</i>			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	60-1-001-2-B1-03 60-1-001-2-B1-04	163,306 <u>53,298</u>
Total Centers for Disease Control and Prevention - Investigations and Technical Assistance			<u>216,604</u>
<i>Passed Through Ohio Department of Health</i>			
Preventative Health and Health Services Block Grant	93.991	60-1-001-2-ED-02 60-1-001-2-ED-03	3,616 <u>88,358</u>
Total Preventative Health and Health Services Block Grant			<u>91,974</u>
<i>Passed Through Ohio Department of Health</i>			
Maternal and Child Health Services Block Grant to the States	93.994	60-1-001-AJ-03 60-1-001-1-MC-04	54,532 <u>36,802</u>
Total Maternal and Child Health Services Block Grant to the States			<u>91,334</u>
Total United States Department of Health and Human Services			<u>419,674</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<i>Passed Through Community Youth Foundation</i>			
Learn and Serve America - School and Community Based Programs	94.004	N/A	325
Total Corporation for National and Community Service			<u>325</u>
<b>Total Federal Awards Expenditures</b>			<u><u><b>\$419,999</b></u></u>

*The notes to the Schedule of Federal Awards Expenditures are an integral part of the Schedule.*

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Zanesville-Muskingum County General Health District's (the Health District) federal awards programs. The Schedule has been prepared on the cash basis of accounting.



## **Auditor of State Betty Montgomery**

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

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

To 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, 2003, and have issued our report thereon dated September 9, 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 Health District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Health District's management in a separate letter dated September 9, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Health 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Health District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003.

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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 conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Health District's management in a separate letter dated September 9, 2004.

This report is intended solely for the information and use of the audit committee, management, the District Board of Health, and federal awarding agencies and pass-through entities, 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

September 9, 2004



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Health:

#### **Compliance**

We have audited the compliance of Zanesville–Muskingum County General Health District, Muskingum County, Ohio (Health District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Health District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Health District's management. Our responsibility is to express an opinion on the Health District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Health District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Health District's compliance with those requirements.

In our opinion, Zanesville–Muskingum County General Health District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

#### **Internal Control Over Compliance**

The management of the Health District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Health District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Health District in a separate letter dated September 9, 2004.

This report is intended for the information and use of the audit committee, management, the District Board of Health, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 9, 2004

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 93.994 - Maternal and Child Services Health Block Grant to the States CFDA # 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2003  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Reportable Condition – Accounting for Numerical sequence of Bills – Clinic Department**

At the start of each business day, an estimate of the number of billing forms to be needed for the day was made and pre-numbered billing forms were then generated directly from the Clinic’s billing system for each type of service provided, including dental, immunization, pediatric, adult and communicable disease services. As each service was provided, the billing form was completed by the provider and eventually turned in prior to the patient leaving the premises. The Health District’s billing system would not enable the Health District to use billing forms remaining at the close of business for the subsequent day’s business. As a result, pre-numbered billing forms remained at the close of each business day which were never used. The Health District management did not account for the unused billing forms.

By not accounting for every billing form, it may be possible for services to be provided and properly recorded on a billing form, but the services and payment to not be entered into the accounting system.

We recommend the numerical sequence of bills be accounted for and reviewed by a supervisor.

**FINDING NUMBER 20032-002**

**Reportable Condition - Clinic Reporting and Reconciling**

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.

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. This should agree to the amounts on the numerical sequence of bills issued during the month described in finding 2002-001, after accounting for unused billing forms at the end of each day.
- 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 insurance that was received during the month.
- The amount of Medicaid receipts and Medicaid adjustments during the month.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2003  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-002 (Continued)**

**Reportable Condition - Clinic Reporting and Reconciling (Continued)**

- 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 and reviewed by management.

**FINDING NUMBER 2003-003**

**Reportable Condition – Clinic Fees**

The Clinic's computerized billing system established pre-programmed fees for the various services offered. However, the system allows an individual to override these pre-programmed fees and change the amount being charged. Clinic personnel indicated the computer system does not allow for new codes to be added for different services and does not provide any type of edit report that summarizes changes made to the pre-programmed fees. The Clinic has no procedures in place to track and approve the changes made to the pre-programmed fees. 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.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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No findings to report.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	A reportable condition was issued regarding the Clinic department's accountability over the numerical sequence of bills.	No	Not corrected. This finding is repeated in the Schedule of Findings as item 2003-001.
2002-002	A reportable condition was issued regarding the Clinic department's ability to report and reconcile their total financial activity.	No	Not corrected. This finding is repeated in the Schedule of Findings as item 2003-002.
2002-003	A reportable condition was issued regarding employee timesheets and leave forms not having supervisory approval.	No	Partially corrected. This finding is reported in the management letter.
2002-004	A reportable condition was issued regarding salary and insurance reimbursements which did not balance.	Yes	Corrective action taken.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Management is currently planning to purchase new computer hardware and software.	January 2005	Gloria Keiffer, Clinic Director
2003-002	Management is currently planning to purchase new computer hardware and software.	January 2005	Gloria Keiffer, Clinic Director
2003-003	Management is currently planning to purchase new computer hardware and software.	January 2005	Gloria Keiffer, Clinic Director



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**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  
NOVEMBER 4, 2004**