



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

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

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**Betty Montgomery**  
Auditor of State

November 8, 2006

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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 Members of 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, 2005. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Health District 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above 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, 2005, or its changes in financial position for the year then ended.

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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 Zanesville Muskingum County General Health District, Muskingum County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Health District to include Management's Discussion and Analysis for the year ended December 31, 2005. 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 8, 2006, 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.

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

**Betty Montgomery**  
Auditor of State

November 8, 2006



**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, 2005**

	<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	\$0	\$505,421	\$0	\$505,421
Intergovernmental	2,412,418	355,675		2,768,093
Inspection fees	11,980			11,980
Permits	267,141	27,101		294,242
Other fees	628,491	47,066		675,557
Licenses		120,488		120,488
Contractual services		114,459		114,459
Salary and insurance reimbursement	215,511			215,511
Other receipts	54,104	8,813	1,402,307	1,465,224
<b>Total Cash Receipts</b>	<b>3,589,645</b>	<b>1,179,023</b>	<b>1,402,307</b>	<b>6,170,975</b>
<b>Cash Disbursements:</b>				
Salaries	1,560,824	371,666		1,932,490
Supplies	114,003	36,103		150,106
Remittances to State	97,395	20,563		117,958
Equipment	32,365	47,351		79,716
Contracts - repair & services	183,613	416,791		600,404
Rentals	105,295	5,000		110,295
Travel	40,849	12,534		53,383
Vehicles	155,916	21,388		177,304
Utilities and rentals	13,134	1,461		14,595
Permit fee		11,255		11,255
Salary and insurance reimbursements		89,692		89,692
Staff training/development	29,802	2,444		32,246
Advertising and printing	3,026	28,131		31,157
Insurance	379,772			379,772
Public employee's retirement	228,529	55,513		284,042
Worker's compensation	26,046	3,516		29,562
Unemployment compensation	9,772			9,772
Other			1,411,356	1,411,356
<b>Total Cash Disbursements</b>	<b>2,980,341</b>	<b>1,123,408</b>	<b>1,411,356</b>	<b>5,515,105</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>609,304</b>	<b>55,615</b>	<b>(9,049)</b>	<b>655,870</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	462	78,954		79,416
Advances-In	85,138	140,367	128,873	354,378
Transfers-Out	(3,082)	(76,334)		(79,416)
Advances-Out	(140,367)	(85,138)	(128,873)	(354,378)
Other uses	0	(27,198)	0	(27,198)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(57,849)</b>	<b>30,651</b>	<b>0</b>	<b>(27,198)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>551,455</b>	<b>86,266</b>	<b>(9,049)</b>	<b>628,672</b>
<b>Fund Cash Balances, January 1</b>	<b>1,502,092</b>	<b>428,344</b>	<b>315,516</b>	<b>2,245,952</b>
<b>Fund Cash Balances, December 31</b>	<b>\$2,053,547</b>	<b>\$514,610</b>	<b>\$306,467</b>	<b>\$2,874,624</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$22,154</b>	<b>\$4,984</b>	<b>\$0</b>	<b>\$27,138</b>

*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, 2005**

**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 Pro Muskingum Family and Children First Council, but is not financially accountable for their operations. Accordingly, the activity of the Pro Muskingum Family and 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 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).

This statement adequately discloses 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:

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

**1. General Fund**

The General Fund accounts for all financial resources except those restricted by law or contract.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The 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 diseases, chronic diseases and disorders, and other preventable health conditions.

**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:

*Pro Muskingum Family & Children First Council Fund* – The Zanesville Muskingum County General Health District serves as the fiscal agent and administrative agent for the Pro 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.

**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 fund 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.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005  
(Continued)**

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

**E. Budgetary Process (Continued)**

**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 in the subsequent year.

A summary of 2005 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 statement does 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, 2005:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,662,044	\$3,590,107	(\$71,937)
Special Revenue	1,387,512	1,257,977	(129,535)
Total	\$5,049,556	\$4,848,084	(\$201,472)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,196,687	\$3,005,577	\$191,110
Special Revenue	1,401,877	1,231,924	169,953
Total	\$4,598,564	\$4,237,501	\$361,063

**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.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005  
(Continued)**

**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 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 2005, OPERS members contributed 8.5 percent of their gross salaries. The Health District contributed an amount equal to 13.55 percent of participants' gross salaries. The Health District has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

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 7 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, Cardinal Health Care. 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.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005  
(Continued)**

**7. 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.

Casualty Coverage

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 value. 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 2005 was \$1,682,589.

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 member.

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

Members may withdraw on each anniversary of the date they joined PEP. They must provide 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005  
(Continued)**

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004

Casualty Coverage	2005	2004
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	\$13,725,507	\$13,557,131

Property Coverage	2005	2004
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	\$3,375,087	\$3,108,199

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Health District's share of these unpaid claims is approximately \$69,768.

**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 Pro 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 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.





**Auditor of State  
Betty Montgomery**

**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, 2005, and have issued our report thereon dated November 8, 2006, 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 2005-001 through 2005-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Health District's management dated November 8, 2006, we reported an other matter involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Health District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Health District's management dated November 8, 2006, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the District Board of Health. It is not intended for 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

November 8, 2006

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Reportable Condition – Clinic Fees**

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. Clinic personnel indicated the computer system did not allow for multiple fees for a service code. 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. Further, we recommend that when the sliding fee schedule is applied, the entire amount of the fee be entered into the system and then a “write-off” be performed for the difference in the amount of the pre-programmed fee and the sliding fee.

**Officials Response**

Management is currently investigating the implementation of new internal control procedures to correct this item.

**FINDING NUMBER 2005-002**

**Reportable Condition - 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, 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-002 (Continued)**

**Reportable Condition - 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 insurance that was received 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**

Management is currently investigating different procedures including consulting with the software company to correct this item.

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

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	A reportable condition was issued regarding the Clinic department's accountability over the numerical sequence of bills.	Yes	Corrected.
2004-002	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 2005-002.
2004-003	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	Not corrected. This finding is repeated in the Schedule of Findings as item 2005-001.





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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 30, 2006**