

**PUBLIC HEALTH – DAYTON AND  
MONTGOMERY COUNTY**

**Financial Statements**

**December 31, 2007**

**with**

**Independent Auditors' Report**





# Mary Taylor, CPA

Auditor of State

Board Members  
Public Health - Dayton and Montgomery County  
117 South Main Street  
Dayton, Ohio 45422

We have reviewed the *Independent Auditors' Report* of the Public Health - Dayton and Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Public Health - Dayton and Montgomery County is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 26, 2008

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**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY**

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
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### **Independent Auditors' Report**

Board of Health  
Public Health - Dayton & Montgomery County  
Dayton, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Public Health - Dayton & Montgomery County (PHDMC), as of and for the year ended December 31, 2007, which collectively comprise the PHDMC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the PHDMC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Public Health - Dayton & Montgomery County, as of December 31, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Federal Fund and the Air Pollution Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of PHDMC'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PHDMC's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 30, 2008

**PUBLIC HEALTH – DAYTON &  
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Management’s Discussion and Analysis  
For the Year Ended December 31, 2007  
(Unaudited)

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This discussion and analysis of the Public Health – Dayton & Montgomery County’s (PHDMC) financial performance provides an overall review of the PHDMC’s financial activities for the year ended December 31, 2007, within the limitations of the PHDMC’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the PHDMC’s financial performance.

**Highlights**

**Key highlights for 2007 are as follows:**

- The new name for the organization is Public Health – Dayton & Montgomery County (PHDMC).
- Net assets of governmental activities increased \$2,100,891 or 27 percent. This change is from additions to the capital fund, refund from Workers Compensation for self insurance deposits in past years, 1992-1996, (25% of the addition), and planned performance saving initiatives implemented in order to meet future reduced levy allocations. Both the General and the Capital Project funds benefited most from the increase in cash and cash equivalents.
- The PHDMC’s general receipts are primarily property income taxes. These receipts represent approximately 46 percent of the total cash received for governmental activities during the year.
- The PHDMC created a Capital Project fund for the purpose of collecting resources to facilitate the replacement of roofs, HVAC systems, etc at the various health centers and for replacement of the Northridge Health Center. The balance is now \$1,200,000. The facility plan is in the process of changing to include possibility of qualifying for Federally Qualified Health Center status for the PHDMC’s centers. A non-profit corporation was created, Community Health Centers of Greater Dayton, and a grant from HRSA for funding the FQHCs’ is in the preparation stage.
- The strategic plan has developed new mission and vision statements:

**Mission Statement**

***Our mission is to lead and innovate by working with our community to achieve the goals of public health: prevention, promotion, and protection.***

**Vision Statement**

***Our vision is to be an innovative leader in achieving the highest possible health and well being for Dayton/Montgomery County residents and visitors. To that end, we provide vital, cost-effective and culturally proficient health services that protect and promote people’s health and support and create healthy environments and communities. Through our services, we:***

***Prevent the spread of disease***

***Protect against health threats in air, food and water***

***Promote healthy behaviors***

***Reach out to vulnerable populations, linking or providing direct services***



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*Mobilize community action through partnerships*  
*Prepare for and respond to public health emergencies*  
*Serve as a public health information resource to physicians and others working in the interests of health*

A major part of the strategic plan is engagement of local community partners to assist the agency in reaching its’ goals. In addition the agency has adopted a uniform program evaluation process based on the *W. K. Kellogg Foundation* Evaluation principles. This *Performance Management System* requires all programs to implement standardized evaluation tools.

**Using the Basic Financial Statements**

This annual report is in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the PHDMC’s cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the PHDMC as a whole. Fund financial statements provide a greater level of detail. Funds segregate money per legal regulations or for specific purposes. These statements present financial information by fund, presenting major funds in separate columns. The notes to the financial statements are an integral part of the PHDMC-wide and fund financial statements; notes provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The PHDMC has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the PHDMC’s cash basis of accounting, receipts and disbursements are recorded when cash is received and paid out.

As a result of using the cash basis of accounting, certain assets, their related revenues (such as accounts receivable), certain liabilities, and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the PHDMC as a Whole**

The Public Health – Dayton & Montgomery County (PHDMC) is a combined general health district established under the laws of the State of Ohio.

A nine-member Board governs the PHDMC, which provides public health services to the citizens of Montgomery County and for certain programs in surrounding counties. These services range from personal health care to air pollution control.

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A reporting entity is comprised of the primary PHDMC, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the PHDMC consists of all funds, departments, boards and agencies that are not legally separate from the PHDMC. The basic financial statements includes general operations, public health nursing, immunizations, communicable disease clinics and programs, food protection, community and special services, vital statistics, personal health care clinics, air pollution monitoring and control, water and solid waste programs and regional emergency preparedness programs.

The statement of net assets and the statement of activities reflect how the PHDMC did financially during 2007, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the PHDMC at year-end. The statement of activities compares cash disbursements with program receipts for each Governmental program activity. Program receipts include charges paid by the recipient of the program’s goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the PHDMC’s general receipts.

These statements report the PHDMC’s cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the PHDMC’s financial health. Over time, increases or decreases in the PHDMC’s cash position is one indicator of whether the PHDMC’s financial health is improving or deteriorating. When evaluating the PHDMC’s financial condition, one should also consider other non financial factors as well, such as the PHDMC’s property tax base, the condition of the PHDMC’s capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the reports show all the PHDMC’s activities as governmental. This category includes all of the PHDMC’s basic services, including air pollution control, communicable disease clinics, and food protection services. State and federal grants, fees and property taxes finance most of these activities. The people receiving the benefits do not necessarily pay for the services provided through governmental activities.

**Reporting the PHDMC’s Most Significant Funds**

Fund financial statements provide detailed information about the PHDMC’s major funds – not the PHDMC as a whole. The PHDMC establishes separate funds to manage its many activities and to help demonstrate that money that is restricted in its’ use is spent for the intended purpose.

The Governmental activities include all of the PHDMC’s activities. The Governmental fund financial statements provide a detailed view of the PHDMC’s governmental operations and the basic services it provides. Governmental fund information helps determine the availability of financial resources to support the PHDMC’s programs. The PHDMC’s significant Governmental funds have separate columns on the financial statements. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined into a single column. The PHDMC’s major Governmental funds are the General Fund, Federal Fund, Air Pollution Fund and Capital Project Fund. The programs reported in Governmental funds are those reported in the Governmental activities section of the PHDMC-wide statements.

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**The PHDMC as a Whole**

Table 1 provides a summary of the PHDMC’s net assets for 2007 compared to 2006 on a cash basis:

**Table 1  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ <u>9,770,672</u>	<u>7,669,781</u>
<b>Total Assets</b>	<u>9,770,672</u>	<u>7,669,781</u>
<b>Net Assets</b>		
Restricted for:		
Federal Funds	1,430,860	1,402,945
Air Pollution	1,395,888	1,332,434
Food Service	190,962	141,752
Capital Projects	1,200,000	950,000
Unrestricted	<u>5,552,962</u>	<u>3,842,650</u>
<b>Total Net Assets</b>	\$ <u>9,770,672</u>	<u>7,669,781</u>

As mentioned previously, net assets of Governmental activities increased \$2,100,891 or 27.39 percent during 2007.

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Table 2 provides a summary of the PHDMC’s receipts, disbursements and changes in net assets for 2007 as compared to 2006 on a cash basis:

**Table 2**  
**Change in Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts</b>		
Program Receipts		
Charges for Services and Sales	\$ 9,893,664	9,566,588
Operating Grants	8,390,152	7,890,091
Total Program Receipts	<u>18,283,816</u>	<u>17,456,679</u>
General Receipts		
Property and Other Local Taxes	16,403,785	15,639,202
Miscellaneous	1,145,433	663,706
Total General Receipts	<u>17,549,218</u>	<u>16,302,908</u>
Total Receipts	<u>35,833,034</u>	<u>33,759,587</u>
<b>Disbursements</b>		
Public Health Services	33,113,598	32,390,043
Capital Outlay	618,545	727,934
Total Disbursements	<u>33,732,143</u>	<u>33,117,977</u>
Change in Net Assets	2,100,891	641,610
Net Assets, Beginning of Year	<u>7,669,781</u>	<u>7,028,171</u>
Net Assets, End of Year	\$ <u>9,770,672</u>	<u>7,669,781</u>

Program receipts represent 51 percent of the PHDMC’s total receipts. These receipts are primarily comprised of restricted intergovernmental receipts such as inspection fees, record fees, grant funds and patient fees: private pay, insurance, Medicaid or Medicare.

General receipts represent 49 percent of the PHDMC’s total receipts, and of this amount, 93 percent are local taxes. Other receipts in the amount of \$1,145,433 are somewhat of an unpredictable revenue source which this year included the Workers Compensation refund of self insurance covering the past, 1992 through 1996 (25% of other receipts). In the future, this will occur every year so the amount expect is much smaller and could even be negative (PHDMC would be paying additional funds into WC).

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Capital outlays signify the disbursements for equipment and infrastructure for use in providing the PHDMC’s services to the public.

**Governmental Activities**

The “Total Cost of Service” column of the Statement of Activities lists the major services provided by the PHDMC. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public health services. The next three columns of the Statement entitled “Program Receipts” identify amounts collected through fees and grants received by the PHDMC that have a restricted use. The net receipt (disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the services that expend general receipts the source of which to a significant extent, is the local taxpayer. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Total and Cost of Program Services

	<b>Governmental Activities</b>			
	<b>2007</b>		<b>2006</b>	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Public Health Services	\$ 33,113,598	14,829,782	32,390,043	14,933,364
Capital Outlay	618,545	618,545	727,934	727,934
Total Disbursements	\$ <u>33,732,143</u>	<u>15,448,327</u>	<u>33,117,977</u>	<u>15,661,298</u>

The property tax and other general receipts support 46 percent of the governmental activities.

**The PHDMC’s Funds**

Total Governmental funds had receipts of \$35,820,062 and disbursements of \$33,732,143, excluding other financing sources and uses. The greatest change within governmental funds occurred within the General Fund with an increase of \$1,710,312 and the Capital Project Fund followed with an increase of \$250,000.

**General Fund Budget Highlights**

The PHDMC’s budget is prepared according to Ohio law and accounts for certain transactions on a cash basis: receipts and disbursements. The most significant budgeted fund is the General Fund.

During 2007, the Board of Health amended the General Fund budget as necessary to reflect incremental revenues and corresponding expenditures. The Health Commissioner approves all adjustments to categories within the Board approved appropriations. Overall the variance in budgeted versus actual receipts is explained by the change in fund balance reserve policy.

**PUBLIC HEALTH – DAYTON &  
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Management’s Discussion and Analysis  
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Final expenditure budget was \$23,088,478 while actual disbursements were \$21,792,613. The \$1,295,865 variance reflects vacant positions and the related benefits and reduction in contractual professional services as the major items. While a reduction in the payment of state fees, purchase of vaccines including the flu, maintenance costs, cost of repairs and utilities added to the variance to a lesser degree.

**Capital Assets and Debt Administration**

**Capital Assets**

The PHDMC currently tracks its capital assets. However, since the financial statements are presented on a cash basis, none of these assets are reflected on the PHDMC’s financial statements. Instead, the acquisitions of property, plant and equipment are recorded as disbursements when paid.

**Debt**

The PHDMC has no debt obligations.

**Contractual Obligations**

The PHDMC is paying on a bond issued by the County to assist in the renovating of the current residence of the PHDMC, 117 S. Main St., Dayton, Ohio, a.k.a. the Reibold Building. The PHDMC occupies the Lower Level, Main Floor and Second Floor. The payments consist of principal and interest payable semi-annually. The PHDMC agreed to a bond of \$8,000,000 with repayment to occur semiannually with increasing payments through the year 2020. Payments made during 2007 totaled \$652,819.

**Current Issues**

The challenge for all PHDMCs is to provide quality services to the public while staying within the restrictions imposed by limited and in some cases shrinking funding. Generally, 46% of the PHDMC’s receipts are from the local levy allocations. The business plan for 2007-2008 positions the PHDMC to operate within the proposed allocations.

**Contacting the PHDMC’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the PHDMC’s finances and to reflect the PHDMC’s accountability for the monies it receives. Direct any questions concerning any of the information in this report or requests for additional information to Director of Administration, Combined Health PHDMC, 117 S. Main Street, Dayton Ohio 45422.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
December 31, 2007**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>9,770,672</u>
Total Assets	<u>9,770,672</u>
<b>Net Assets</b>	
Restricted for:	
Federal Fund	1,430,860
Air Pollution	1,395,888
Food Service	190,962
Capital Projects	1,200,000
Unrestricted	<u>5,552,962</u>
Total Net Assets	\$ <u><u>9,770,672</u></u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

		<u>Program Cash Receipts</u>		<u>Net (Disbursement) Receipts and Change in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Public Health Services	\$ 33,113,598	9,893,664	8,390,152	(14,829,782)
Capital Outlay	<u>618,545</u>	<u>-</u>	<u>-</u>	<u>(618,545)</u>
Total Governmental Activities	\$ <u>33,732,143</u>	<u>9,893,664</u>	<u>8,390,152</u>	<u>(15,448,327)</u>
		<b>General Receipts</b>		
				16,403,785
				<u>1,145,433</u>
				<u>17,549,218</u>
				2,100,891
				<u>7,669,781</u>
				\$ <u>9,770,672</u>

See accompanying notes to the basic financial statements.



**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Federal Fund</u>	<u>Air Pollution Fund</u>	<u>Capital Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,552,962	1,430,860	1,395,888	1,200,000	190,962	9,770,672
Total Assets	\$ <u>5,552,962</u>	<u>1,430,860</u>	<u>1,395,888</u>	<u>1,200,000</u>	<u>190,962</u>	<u>9,770,672</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 1,639,775	213,244	16,572	-	4,231	1,873,822
Unreserved, Undesignated reported in:						
General Fund	3,913,187	-	-	-	-	3,913,187
Special Revenue Funds	-	1,217,616	1,379,316	-	186,731	2,783,663
Capital Projects Funds	-	-	-	1,200,000	-	1,200,000
Total Fund Balances	\$ <u>5,552,962</u>	<u>1,430,860</u>	<u>1,395,888</u>	<u>1,200,000</u>	<u>190,962</u>	<u>9,770,672</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Federal Fund</u>	<u>Air Pollution Fund</u>	<u>Capital Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Levy Funds	\$ 16,403,785	-	-	-	-	16,403,785
Intergovernmental Receipts	460,874	5,891,337	2,160,317	-	-	8,512,528
Licenses, Permits, and Fees	2,099,371	13,529	89,666	-	1,110,260	3,312,826
Charges for Services	3,959,521	2,556,248	65,068	-	-	6,580,837
Miscellaneous	909,392	10,351	77,133	-	13,210	1,010,086
	<u>23,832,943</u>	<u>8,471,465</u>	<u>2,392,184</u>	<u>-</u>	<u>1,123,470</u>	<u>35,820,062</u>
<b>Disbursements</b>						
Current:						
Salaries and Benefits	13,384,201	6,990,557	2,386,723	-	880,935	23,642,416
Supplies	1,019,912	565,759	55,460	-	9,369	1,650,500
Contracts	1,845,526	914,428	66,302	-	6,762	2,833,018
Other Disbursements	3,640,949	1,039,159	163,409	-	144,147	4,987,664
Capital Outlay	262,250	233,647	89,601	-	33,047	618,545
	<u>20,152,838</u>	<u>9,743,550</u>	<u>2,761,495</u>	<u>-</u>	<u>1,074,260</u>	<u>33,732,143</u>
Receipts Over/(Under) Disbursements	<u>3,680,105</u>	<u>(1,272,085)</u>	<u>(369,311)</u>	<u>-</u>	<u>49,210</u>	<u>2,087,919</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	1,300,000	432,066	250,000	-	1,982,066
Transfers Out	(1,982,066)	-	-	-	-	(1,982,066)
Other Financing Sources	12,273	-	699	-	-	12,972
	<u>(1,969,793)</u>	<u>1,300,000</u>	<u>432,765</u>	<u>250,000</u>	<u>-</u>	<u>12,972</u>
Net Change in Fund Balances	1,710,312	27,915	63,454	250,000	49,210	2,100,891
Fund Balances, Beginning of Year	<u>3,842,650</u>	<u>1,402,945</u>	<u>1,332,434</u>	<u>950,000</u>	<u>141,752</u>	<u>7,669,781</u>
Fund Balances, End of Year	\$ <u>5,552,962</u>	<u>1,430,860</u>	<u>1,395,888</u>	<u>1,200,000</u>	<u>190,962</u>	<u>9,770,672</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
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**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Levy Funds	\$ 16,902,860	16,902,860	16,403,785	(499,075)
Intergovernmental Revenues	416,989	511,794	460,874	(50,920)
Licenses, Permits, and Fees	2,260,838	2,266,838	2,099,371	(167,467)
Charges for Services	3,789,716	4,304,466	3,959,521	(344,945)
Miscellaneous	469,323	470,623	909,392	438,769
Total Receipts	<u>23,839,726</u>	<u>24,456,581</u>	<u>23,832,943</u>	<u>(623,638)</u>
<b>Disbursements</b>				
Public Health Services	22,289,448	22,630,839	21,405,209	1,225,630
Capital Outlay	589,928	457,639	387,404	70,235
Total Disbursements	<u>22,879,376</u>	<u>23,088,478</u>	<u>21,792,613</u>	<u>1,295,865</u>
Receipts Over/(Under) Disbursements	<u>960,350</u>	<u>1,368,103</u>	<u>2,040,330</u>	<u>672,227</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,029,566)	(2,279,566)	(1,982,066)	297,500
Other Financing Sources	-	-	12,273	12,273
Total Other Financing Sources (Uses)	<u>(2,029,566)</u>	<u>(2,279,566)</u>	<u>(1,969,793)</u>	<u>309,773</u>
Net Change in Fund Balances	(1,069,216)	(911,463)	70,537	982,000
Fund Balances, Beginning of Year	2,980,929	2,980,929	2,980,929	-
Prior Year Encumbrances Appropriated	861,721	861,721	861,721	-
Fund Balances, End of Year	<u>\$ 2,773,434</u>	<u>2,931,187</u>	<u>3,913,187</u>	<u>982,000</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS  
FEDERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental Revenues	\$ 5,605,493	5,780,148	5,891,337	111,189
Licenses, Permits, and Fees	-	-	13,529	13,529
Charges for Services	3,052,685	3,062,685	2,556,248	(506,437)
Miscellaneous	-	-	10,351	10,351
Total Receipts	<u>8,658,178</u>	<u>8,842,833</u>	<u>8,471,465</u>	<u>(371,368)</u>
<b>Disbursements</b>				
Public Health Services	10,516,494	10,439,524	9,715,144	724,380
Capital Outlay	170,059	242,190	241,650	540
Total Disbursements	<u>10,686,553</u>	<u>10,681,714</u>	<u>9,956,794</u>	<u>724,920</u>
Receipts Over/(Under) Disbursements	<u>(2,028,375)</u>	<u>(1,838,881)</u>	<u>(1,485,329)</u>	<u>353,552</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,500,000	1,500,000	1,300,000	(200,000)
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,300,000</u>	<u>(200,000)</u>
Net Change in Fund Balances	(528,375)	(338,881)	(185,329)	153,552
Fund Balances, Beginning of Year	915,745	915,745	915,745	-
Prior Year Encumbrances Appropriated	487,200	487,200	487,200	-
Fund Balances, End of Year	\$ <u>874,570</u>	<u>1,064,064</u>	<u>1,217,616</u>	<u>153,552</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS  
AIR POLLUTION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental Revenues	\$ 2,111,640	2,111,640	2,160,317	48,677
Licenses, Permits, and Fees	45,000	45,000	89,666	44,666
Charges for Services	71,500	71,500	65,068	(6,432)
Miscellaneous	-	-	77,133	77,133
Total Receipts	<u>2,228,140</u>	<u>2,228,140</u>	<u>2,392,184</u>	<u>164,044</u>
<b>Disbursements</b>				
Public Health Services	2,531,195	2,747,861	2,687,038	60,823
Capital Outlay	138,986	122,641	91,029	31,612
Total Disbursements	<u>2,670,181</u>	<u>2,870,502</u>	<u>2,778,067</u>	<u>92,435</u>
Receipts Over/(Under) Disbursements	<u>(442,041)</u>	<u>(642,362)</u>	<u>(385,883)</u>	<u>256,479</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	432,066	432,066	432,066	-
Other Financing Sources	-	-	699	699
Total Other Financing Sources (Uses)	<u>432,066</u>	<u>432,066</u>	<u>432,765</u>	<u>699</u>
Net Change in Fund Balances	(9,975)	(210,296)	46,882	257,178
Fund Balances, Beginning of Year	1,271,623	1,271,623	1,271,623	-
Prior Year Encumbrances Appropriated	60,811	60,811	60,811	-
Fund Balances, End of Year	\$ <u>1,322,459</u>	<u>1,122,138</u>	<u>1,379,316</u>	<u>257,178</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 1 – DESCRIPTION OF THE HEALTH PHDMC AND REPORTING ENTITY**

The Public Health – Dayton & Montgomery County (PHDMC), previously the Montgomery County Combined Health District, is a combined general health PHDMC established under the laws of the State of Ohio. On May 2, 2007 the Montgomery County Board of Health officially adopted changing the name of the organization.

A nine-member Board governs the PHDMC, which provides public health services to the citizens of Montgomery and for certain programs surrounding counties also. These services range from personal health care to air pollution control.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the PHDMC consists of all funds, departments, boards and agencies that are not legally separate from the PHDMC. For acceptable OCBOA, this includes general operations, public health nursing, immunizations, communicable disease clinics and programs, food protection, community and special services, vital statistics, personal health care clinics, air pollution monitoring and control, water and solid waste programs and regional emergency preparedness programs.

The PHDMC's management believes these financial statements present all activities for which the PHDMC is financially accountable.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The PHDMC's Basic Financial Statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and a statement of activities display information about the PHDMC as a whole. These statements include the financial activities of the primary government.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Net Assets presents the financial condition of the governmental activities of the PHDMC at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the PHDMC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the PHDMC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the PHDMC.

**2. Fund Financial Statements**

During the year, the PHDMC segregates transactions related to certain PHDMC functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the PHDMC at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

The PHDMC uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions that relate to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The PHDMC utilizes the governmental category of funds.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the PHDMC typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the PHDMC's major governmental funds:

**General Fund** – The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose in accordance with Ohio law.

**Federal Fund** – This fund includes all programs that have as a source of funds, a federally funded grant whether directly from the federal government or from the State in the form of a pass-through.

**PUBLIC HEALTH – DAYTON &  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Air Pollution Fund** – This fund encompasses the services provided for monitoring and controlling air pollution within Montgomery and surrounding counties.

**Capital Fund** – This fund is established to assist the PHDMC in gathering the funds needed to repair and maintain the various health centers.

The other governmental funds of the PHDMC account for other resources whose use is restricted to a particular purpose, i.e. food protection program.

**C. Basis of Accounting**

The PHDMC's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the PHDMC's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**D. Budgetary Process**

Ohio law requires the Board of Health to budget and appropriate all funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Health may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Health uses the fund level as its legal level of control. Individual grants are limited to their approved budget: the Board must approve an increase or decrease.

The PHDMC amends the certificate of estimated resources during the year if the PHDMC receives additional or new sources of funds. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.



**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

As required by Ohio Revised Code, the County Treasurer is custodian for the PHDMC's cash and cash equivalents. The County's cash and investment pool holds the PHDMC's assets, valued at the County Treasurer's reported carrying amount.

**F. Inventory and Prepaid Items**

With the cash basis of accounting, supply inventories are expensed at time of purchase as are items paid for in advance.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Cash basis of accounting does not recognize unpaid leave as a liability.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The PHDMC's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**J. Fund Balance Reserves**

The PHDMC reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**K. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund, the Federal Fund and the Air Pollution Fund at December 31, 2007 amounted to \$1,639,775, \$213,244 and \$16,572, respectively.

**NOTE 4 – CASH AND CASH EQUIVALENTS**

The Montgomery County Treasurer maintains a cash pool used by all of the County’s funds, including those of the PHDMC. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the PHDMC’s deposits with the Montgomery County Commissioners was \$9,770,672. The Montgomery County Treasurer is the fiscal agent for the PHDMC and is responsible for maintaining adequate depository collateral for all funds in the County’s pooled cash and deposit accounts.

**NOTE 5 – PROPERTY TAXES**

The County Commissioners have established a Human Services Levy Council (HSLC) in which the PHDMC participates. Distribution of levy funds to the participating agencies is on a semi-annual basis in accordance with HSLC recommendations. Currently the combined millage for the two levies is 11.24.

The HSLC established a policy regarding agencies maintaining fund balances: maximum allowable fund balance is 9% of budgeted expenses.

**NOTE 6 – INTERFUND TRANSFERS**

Interfund cash transfers for the year ended December 31, 2007 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Governmental Activities:		
General Fund	Air Pollution Fund	\$ 432,066
General Fund	Federal Fund	1,300,000
General Fund	Capital Project Fund	<u>250,000</u>
		<u>\$ 1,982,066</u>

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 7 – RISK MANAGEMENT**

**A. Commercial Insurance**

The PHDMC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions (including medical malpractice and health care professional liability),
- Employee health, life and dental insurance

**B. Risk Pool Membership**

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

**Casualty Coverage**

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per claim, 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 after 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 from the General Reinsurance Corporation through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds 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.

**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.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 7 – RISK MANAGEMENT (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. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**Error and Omissions (Wrongful Acts)**

Coverage for public officials errors and omissions (wrongful acts), including malpractice and health care professional liability, is up to \$5,000,000 per occurrence.

**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, 2007 and 2006.

	2007	2006
<u>Casualty &amp; Property Coverage:</u>		
Assets	\$ 37,560,071	36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained Earnings	\$ 20,219,246	19,384,290

The casualty coverage assets and retained earnings above include approximately \$14.4 million and \$14.3 million of estimated unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2007 and 2006, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$376,000. This payable included the subsequent year's contribution due if the PHDMC terminates participation, as described in the last paragraph below.

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

<b>Contributions to PEP</b>		
2005	\$	158,847
2006		178,178
2007		188,236

**PUBLIC HEALTH – DAYTON &  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 7 – RISK MANAGEMENT (Continued)**

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.

**C. Workers’ Compensation**

Montgomery County manages the Workers Compensation program in which the PHDMC participates. Allocation of cost to the PHDMC takes place annually.

**D. Employee Medical Benefits**

The PHDMC participates in a health insurance plan offered through Montgomery County for all of its employees. The plans include health, vision, prescription, and life insurance benefits. In addition, the PHDMC provides dental insurance through Superior Dental.

In addition, the PHDMC has established a “Flexible Spending Account” to supplement the services provided under the health insurance plans. Voluntary employee payroll deductions fund the plan, and employees file their own claims. FlexBank administers the plan. The PHDMC pays \$4.50 per month per participating employee as an administrative fee.

The plan account activity was:

<u>Year</u>	<u>Beginning of the Year</u>	<u>Deposits</u>	<u>Claims Paid</u>	<u>End of the Year</u>
2006	\$ 11,104	147,971	142,814	16,261
2007	\$ 16,261	159,791	162,363	13,689

**E. Tuition Reimbursement Program**

The PHDMC implemented a program to reimburse a limited number of employees for their tuition and other institutional fees associated with obtaining a Master in Public Health degree at a college or university approved by the Health Commissioner. On successful completion of a course(s), and with accompanying receipts for the costs, the PHDMC will reimburse the employee 70 percent of the costs. The employee must agree to remain with the PHDMC for a minimum of 3 years after graduation or repay up to 90 percent of the total reimbursement.

**PUBLIC HEALTH – DAYTON &  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 7 – RISK MANAGEMENT (Continued)**

**F. Continuing Education Reimbursement Program**

The PHDMC offers 100 percent reimbursement: passing grade and up to \$1,500 per year associated with college/university courses that benefit the employee maintaining, enhancing, or remaining current with new methodologies. All courses are subject to prior approval by management.

**NOTE 8 – PENSION OBLIGATIONS**

The PHDMC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional, combined and member directed plans for the years ended December 31, 2007, 2006, and 2005 were \$2,858,959, \$2,161,714, and \$2,231,100 respectively; 97 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$1,120,820. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**NOTE 10 – CONTINGENCIES**

**A. Litigation**

The PHDMC is a party to litigation. Although the outcome of the litigation is not presently determinable, management believes the resolution of these matters will not materially or adversely affect the PHDMC's financial condition.

**B. Grants**

The PHDMC receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2007 will not have a material adverse effect on the PHDMC.

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 11 – OPERATING LEASES**

The PHDMC leases several sites for operations. The PHDMC disbursed \$1,580,431 to pay lease costs for the year ended December 31, 2007. All leases include cancellation provisions. By far the largest is for the Reibold Building, for current year \$747,318. Agreement limits increase to 5% per year. Current lease expires December 31, 2007.

**NOTE 12 – CONTRACTUAL OBLIGATION**

The PHDMC is paying on a bond issued by Montgomery County to assist in the renovating of the current residence of the District, 117 S. Main St., Dayton, Ohio, a.k.a. the Reibold Building. The PHDMC occupies the Lower Level, Main Floor and Second Floor. The payments consist of principal and interest payable semi-annually. The PHDMC agreed to a bond of \$8,000,000 with repayment to occur semiannually with increasing payments through the year 2020. The 2007 payments totaled \$652,818. Future obligation's are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 325,000	327,318	661,068
2009	350,000	311,068	656,568
2010	365,000	291,568	658,568
2011	390,000	275,318	665,318
2012	415,000	255,819	670,818
2013-2017	2,465,000	925,944	3,390,944
2018-2020	1,865,000	209,276	2,074,276
Total	\$ 6,175,000	2,596,311	8,777,560

**NOTE 13 – CONTRACTUAL COMMITMENTS**

At December 31, 2007, the PHDMC had \$1,620,983 in contractual commitments for services provided. Some of the following commitments will be funded by federal and state program grants.

<u>VENDOR</u>	<u>AMOUNT</u>
Accountemps/Officeteam	\$ 7,497
AIDS Resource Center of Ohio	5,783
Aramark Services, Inc.	19,142
Barry Skrobot, M.D.	2,527
CDW Government, Inc.	20,816
Chisano Marketing Communicatios	15,334
City of Dayton	2,900
Clark, Schaefer, Hackett & Co.	11,500
Compunet Clinical Labs	9,431
CSI Copp Systems Integrator	11,450
Darryl Muhammad	2,730
David Hoskins	4,455
Daymont West Behavioral Health Care	11,802
De Marchis Consultants	5,068



**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 13 – CONTRACTUAL COMMITMENTS (Continued)**

<u>VENDOR</u>	<u>AMOUNT</u>
Delamore Elizabeth Place	8,500
Dell Marketing LP	9,638
Delta Health Technologies, LLC.	3,974
Diane E Zucker	10,800
Digital Controls Corp	107,335
Good Samaritan Hospital	298,000
Gordon Stowe & Assoc Inc	3,189
Grandview Ambulatory Health Center	223,000
Greater Dayton Area	32,400
Hamilton County Treasurer	3,000
Innovative Interchange Inc	3,510
Interpreters	10,268
Ivans, Inc	1,566
Jeanne Bohrer, M.D.	4,766
Johnson Communications, Inc	4,448
Kettering Medical Center Foundation	3,798
Kettering Radiologists Inc.	4,653
Kforce Professional Staffing, Inc.	8,338
Larry L. Cleek	5,914
Lewis Group Inc	140,500
Lifestages	4,124
Matthew B Yanney	7,858
Merchants Security Services	12,954
Miami Valley Hospital	116,259
Midwest Therapy Associates Inc	4,085
Montgomery County	13,800
Numara Software Inc	5,670
OHS of Illinois Inc	19,965
Patricia Dempsey DO	8,568
Phyllis Neef	6,227
Pitney Bowes Inc	2,134
Progressive Services Inc	17,500
Robert Arledge	2,957
Salem Office Supply, Inc.	1,555
Schneider Laboratories Inc	3,280
Southern Christian Leadership Conference	4,195
St Vincent De Paul/Job Center	2,741
Stenpho Company, Inc.	4,423
Stephen Mathai, M.D.	22,050

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 13 – CONTRACTUAL COMMITMENTS (Continued)**

<u>VENDOR</u>	<u>AMOUNT</u>
Test America Analytical	4,070
Treasurer State of Ohio	182,657
William D. Miles D.O., P.C.	10,962
William T. Burkhart	9,022
Willis Case Hardwood Inc	17,046
WKEF NBC 22/Fox 45 Dayton	3,000
Wright State Physicians Inc	88,675
Wright State University	22,488
YWCA	4,686
<b>Total</b>	<b>\$ 1,620,983</b>

**PUBLIC HEALTH - DAYTON AND MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor / Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>CFDA Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through Ohio Department of Health</i>			
Special Supplemental Nutrition Program For Women, Infants, and Children	57-1-001-1-CL-07	10.557	\$ 1,370,246
	57-1-001-1-CL-08		393,591
Total Special Supplemental Nutrition Program For Women, Infants, and Children			<u>1,763,837</u>
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Received Directly</i>			
Air Pollution Control Program Support	A-00526407-1		346,279
	A-00526408-0		19,532
Total Air Pollution Control Program Support		66.001	<u>365,811</u>
Indoor Radon	57-1-003-2-BA-07		43,191
	57-1-001-2-IR-01-08		7,320
Total Indoor Radon		66.032	<u>50,511</u>
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM-98577202-3		47,740
	PM-98577203-1		68,954
Total Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		66.034	<u>116,694</u>
<b>Total United States Environmental Protection Agency</b>			<u>533,016</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through Ohio Department of Health</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1 U79 SP13243-01		18,386
	1 U79 SP13243-02		4,865
	5 H79 T114546-04		47,411
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	<u>70,662</u>
Acquired Immunodeficiency Syndrome Activity	57-1-001-2-CK-07		4,294
	57-1-001-2-CK-08		55,626
Total Acquired Immunodeficiency Syndrome Activity		93.118	<u>59,920</u>
Childhood Immunization Grants	57-1-001-2-AZ-06		8,509
	57-1-001-2-AZ-07		179,768
Total Childhood Immunization Grants		93.268	<u>188,277</u>
HIV Care Formula Grants	57-1-001-BV-07		9,513
	57-1-001-PE-01-07		23,397
Total HIV Care Formula Grants		93.917	<u>32,910</u>
HIV Prevention Activities	57-1-001-2-AS-07		37,604
	57-1-001-2-AS-08		364,445
Total HIV Prevention Activities		93.940	<u>402,049</u>
Maternal and Child Health Services Block Grants	57-1-001-1-MC-07		13,966
	57-1-001-1-MC-08		370,319
Total Maternal and Child Health Services Block Grants		93.994	<u>384,285</u>
Preventive Health Services - Sexually Transmitted Diseases	57-1-001-2-BX-07		3,191
	57-1-001-2-BX-08		103,225
Total Preventive Health Services - Sexually Transmitted Diseases		93.977	<u>106,416</u>
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	57-1-001-2-BI-07		700,205
	57-1-001-2-BI-08		158,912
Total Centers for Disease Control and Prevention_ Investigations and Technical Assistance		93.283	<u>859,117</u>
HIV Demonstration, Research, Public and Professional Education Projects	1U62PS000182-01		4,277
	1U62PS000182-02		7,561
Total HIV Demonstration, Research, Public and Professional Education Projects		93.941	<u>11,838</u>
<b>Total United States Department of Health and Human Services</b>			<u>2,115,474</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>\$ <u>4,412,327</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**PUBLIC HEALTH – DAYTON &  
MONTGOMERY COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the PHDMC contribute non-Federal funds (matching funds) to support the Federally-funded programs. The PHDMC has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – SAPT BLOCK GRANT**

The Center for Alcoholism and Drug Addition Services (CADAS) is a department of the PHDMC. CADAS receives Block Grants for Prevention and Treatment of Substance Abuse (SAPT) CFDA #93.959 from Montgomery County Alcohol Drug and Mental Health Services Board (ADAMHS) to provide prevention, education, and treatment services for alcohol and drug users.

Based on the agreement between ADAMHS and CADAS, SAPT monies disbursed by ADAMHS to CADAS are considered contractual and not pass through or subrecipient. ADAMHS reports to SAPT monies on their Schedule of Federal Awards. These monies will not be reported on the PHDMC's Schedule.



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**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Health  
Public Health - Dayton & Montgomery County  
Dayton, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Public Health - Dayton & Montgomery County (PHDMC), as of and for the year ended December 31, 2007, which collectively comprise PHDMC's basic financial statements and have issued our report thereon dated June 30, 2008, wherein we noted PHDMC prepares its financial statements using the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered PHDMC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PHDMC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PHDMC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

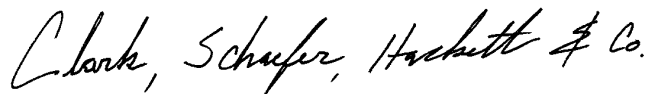
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PHDMC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the PHDMC in a separate letter dated June 30, 2008.

This report is intended solely for the information and use of PHDMC's Board and management, the Auditor of the State of Ohio, 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 cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio  
June 30, 2008



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**Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Health  
Public Health - Dayton & Montgomery County  
Dayton, Ohio

**Compliance**

We have audited the compliance of the Public Health - Dayton & Montgomery County (PHDMC), 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, 2007. PHDMC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PHDMC's management. Our responsibility is to express an opinion on PHDMC'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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PHDMC'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 PHDMC's compliance with those requirements.

In our opinion, PHDMC 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, 2007.

## Internal Control over Compliance

PHDMC's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PHDMC's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PHDMC's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that PHDMC's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of PHDMC's Board and management, the Auditor of the State of Ohio, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 30, 2008



**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**December 31, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Centers for Disease Control and Prevention – Investigations and Technical Assistance– CFDA # 93.283  Air Pollution Control Program – CFDA # 66.001
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None Noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted.

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY**

**Schedule of Prior Year Audit Findings and Questioned Costs**

**December 31, 2007**

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No findings were reported in prior audit.



**Mary Taylor, CPA**  
Auditor of State

**PUBLIC HEALTH-DAYTON AND MONTGOMERY COUNTY**

**MONTGOMERY 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  
SEPTEMBER 9, 2008**