



Dave Yost • Auditor of State



**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Public Health – Dayton & Montgomery County  
Montgomery County  
Reibold Building  
117 South Main Street  
Dayton, Ohio 45422

To the Board of Health:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Health – Dayton & Montgomery County, Montgomery County, Ohio (the PHDMC), as of and for the year ended December 31, 2011, 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Public Health – Dayton & Montgomery County, Montgomery County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Federal, and Air Pollution funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Public Health – Dayton & Montgomery County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of the 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. 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.

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We conducted our audit to opine on the PHDMC's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and net cost of services. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 30, 2012

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED**

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, 2011, within the limitations of the PHDMC’s cash basis of accounting. The intent of this discussion and analysis is to look at the organization’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the PHDMC’s financial performance.

**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 the air, food and water

**Promote** healthy behaviors

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

**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

**Financial Highlights**

Key financial highlights for the year 2011 are as follows:

- Net assets increased by \$1,554,949, or 13.8% over 2010. Total net assets at year-end were \$12,820,593. The PHDMC had \$33,229,688 in total disbursements during 2011, which is a decrease of 4.5% from 2010.
- The PHDMC receives funding from the Montgomery County Human Services Levy. In November, 2010, voters approved a replacement levy of 6.03 mills for 8 years, with 70% voting in favor of the measure. The PHDMC received \$18,449,446 in levy funds in 2011, which represents 53% of the PHDMC’s total receipts for the year.
- Program-specific receipts in the form of Charges for Services and Operating Grants comprise 45.9% of total receipts.
- PHDMC continued its efforts to promote healthy lifestyles and educate citizens about the benefits of nutrition and physical activity. In September, PHDMC was awarded a Community Transformation Grant for \$180,246 from the Centers for Disease Control and Prevention. PHDMC was the only health district in the state of Ohio to be selected for this grant funding.

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MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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(Continued)**

**Using the Basic Financial Statements**

This annual report is presented 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. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the PHDMC as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The *Statement of Net Assets –Cash Basis* and *Statement of Activities –Cash Basis* provide information about the activities of the PHDMC as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the PHDMC as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and 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 or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and 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**

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, residents of surrounding counties. These services range from personal health care to air pollution control.

The *Statement of Net Assets* and the *Statement of Activities* reflect how the PHDMC did financially during 2011, within the limitations of the cash basis of accounting. The *Statement of Net Assets –Cash Basis* presents the cash balances of the governmental activities of the PHDMC at year end. The *Statement of Activities –Cash Basis* compares disbursements with program receipts for each governmental 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 disbursements with program receipts identifies how each governmental function draws from the PHDMC’s general receipts.



**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
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**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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(Continued)**

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, the reader can think of these changes as one way to measure the PHDMC’s financial health. Over time, an increase or decrease in cash position is one indicator of whether the organization’s financial health is improving or deteriorating. When evaluating the PHDMC’s financial condition, one should also consider other non-financial factors, such as the 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.

The *Statement of Net Assets – Cash Basis* and the *Statement of Activities – Cash Basis* present governmental activities, which include all the PHDMC’s services. State and federal grants, fees and property taxes finance most of these activities. The PHDMC has no business-type activities.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the PHDMC’s major funds – not the PHDMC as a whole. The PHDMC establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the operating funds of the PHDMC are governmental.

**Governmental Funds** – All of the PHDMC’s activities are reported in governmental funds. Governmental fund financial statements provide a detailed short-term 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 are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in 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 the governmental funds are those reported in the governmental activities section of the entity-wide statements.

**The PHDMC as a Whole**

Table 1 provides a summary of the PHDMC’s net assets for 2011 compared to 2010 on a cash basis:

**Table 1  
Net Assets –Cash Basis**

<b>Governmental Activities</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$12,820,593	\$11,265,644
Total Assets	<u>12,820,593</u>	<u>11,265,644</u>
<b>Net Assets</b>		
Restricted for:		
Federal Fund	405,909	335,131
Air Pollution	306,541	
Food Service	147,325	158,326
Capital Projects	1,437,372	980,948
Unrestricted	<u>10,523,446</u>	<u>9,791,239</u>
Total Net Assets	<u>\$12,820,593</u>	<u>\$11,265,644</u>

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

As mentioned previously, net assets increased by \$1,554,949. Additional detail regarding receipts and disbursements, along with explanations of significant changes, is provided in the next section.

Table 2 reflects the change in net assets in 2011 and provides a comparison to prior year amounts:

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Receipts:</b>			
<b>Program Cash Receipts:</b>			
Charges for Services	\$ 8,505,788	\$ 8,587,743	(\$ 81,955)
Operating Grants	7,453,069	7,706,813	(253,744)
Total Program Receipts	<u>15,958,857</u>	<u>16,294,556</u>	<u>(335,699)</u>
<b>General Receipts:</b>			
Property and Other Local Taxes	18,449,446	18,724,861	(275,415)
Miscellaneous	376,334	329,546	46,788
Total General Receipts	<u>18,825,780</u>	<u>19,054,407</u>	<u>(228,627)</u>
Total Receipts	<u>34,784,637</u>	<u>35,348,963</u>	<u>(564,326)</u>
<b>Disbursements:</b>			
Public Health Services	32,418,845	33,584,074	(1,165,229)
Capital Outlay	327,889	554,887	(226,998)
<b>Debt Service:</b>			
Principal Retirement	372,304	365,000	7,304
Interest and Fiscal Charges	110,650	293,569	(182,919)
Total Disbursements	<u>33,229,688</u>	<u>34,797,530</u>	<u>(1,567,842)</u>
Change in Net Assets	1,554,949	551,433	1,003,516
Net Assets Beginning of Year	<u>11,265,644</u>	<u>10,714,211</u>	<u>551,433</u>
Net Assets End of Year	<u>\$12,820,593</u>	<u>\$11,265,644</u>	<u>\$1,554,949</u>

In 2011, fifty-four percent of the PHDMC's total receipts were from General Receipts, which consist almost entirely of property taxes. Program Receipts accounted for forty-six percent of total receipts. Program Receipts include: charges for birth and death certificates; inspection and permit fees; state and federal operating grants; and patient fees from sources such as private pay, insurance, Medicare and Medicaid.

Under Program Receipts, Charges for Services decreased by \$81,955, or about 1% from 2010 to 2011. Operating Grants decreased by \$253,744 primarily due to reductions in Public Health Emergency Response funding.

Total Disbursements decreased by \$1,567,842. Salaries and Benefits were lower in 2011 due to reductions in the Home Care Program and vacancies in several other areas. Savings were realized on Debt Service as a result of refinancing and a refund of prior year interest charges. Contracts, Capital Expenditures and Other Disbursements were all reduced as well.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Governmental Activities**

On the *Statement of Activities –Cash Basis*, the first column lists the major categories of services provided by the PHDMC: Public Health Services, Capital Outlay and Debt Service. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Health Services, which account for 98% of all governmental disbursements. The next two columns of the statement entitled Program Receipts identify amounts collected from fees charged for services, as well as grants received by the PHDMC which must be used to provide a specific service. The Net Receipts (Disbursements) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the services, which is funded primarily by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost for the current and prior years is presented in Table 3.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>
Public Health Services	\$32,418,845	\$16,459,988	\$33,584,074	\$17,289,518
Capital Outlays	327,889	327,889	554,887	554,887
<b>Debt Service:</b>				
Principal	372,304	372,304	365,000	365,000
Interest	110,650	110,650	293,569	293,569
<b>Total</b>	<b>\$33,229,688</b>	<b>\$17,270,831</b>	<b>\$34,797,530</b>	<b>\$18,502,974</b>

The PHDMC has tried to limit its dependence upon property taxes and local subsidies by actively pursuing Federal grants and charging appropriate rates for services. In 2011, fifty-two percent of costs were supported through property taxes.

Some programs are self-supporting through charges for services, while others are funded through a combination of charges for services, state and federal grants, and local subsidies.

**The PHDMC’s Funds**

As noted earlier, the PHDMC uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the PHDMC’s governmental funds is to provide information on receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the PHDMC’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the year.

At the end of 2011, the governmental funds reported total ending fund balances of \$12,820,593. Of this amount, \$9,185,205 is unassigned fund balance, which is available for spending. The remainder of fund balance is restricted, committed, or assigned to indicate it is not available for new spending.

While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the *Statement of Net Assets –Cash Basis* due to their use being restricted for a particular purpose, which is mandated by the source of the resources, such as the state and federal governments.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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(Continued)**

The general fund is the chief operating fund of the PHDMC. At the end of 2011, unassigned fund balance in the general fund was \$9,185,205. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 46% of the total general fund expenditures.

Revenues exceeded expenditures in the general fund by \$4,494,529 in 2011. Levy funds account for 76% of revenues in the general fund; Charges for Services account for 13%; and Licenses, Permits and Fees make up 8% of general fund revenues.

The federal 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 of Ohio in the form of a pass-through. Programs in this fund include Women, Infants, and Children (WIC); PHDMC's Center for Alcoholism & Drug Addiction Services (CADAS); Child and Family Health Services; and Public Health Emergency Response. At the end of 2011, the federal fund balance was \$405,909.

The air pollution fund includes funding for services PHDMC provides for monitoring and controlling air pollution within Montgomery and surrounding counties. The air pollution fund balance at the end of 2011 was \$306,541.

**General Fund Budgeting Highlights**

The PHDMC's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2011, the PHDMC amended its appropriations several times, and the budgetary statement reflects both the original and final appropriated amounts. The Health Commissioner approves adjustments between categories within the Board-approved appropriations.

The final expenditure budget for the general fund was \$22,472,290, compared to actual disbursements of \$21,116,376. This favorable variance of \$1,355,914 reflects several vacant positions and related employee benefits, along with under-spending in the areas of capital, contract services, insurance and operating supplies.

**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 financial statements. Instead, the acquisitions of property, plant and equipment are recorded as disbursements when paid.

**Debt Administration and Contractual Obligations**

The PHDMC has no debt obligations; however, it is paying on a bond issued to Montgomery County to assist in the renovation of the current residence of the PHDMC, 117 S. Main St., Dayton, Ohio, also known as the Reibold Building. The PHDMC occupies the Lower Level, Main Floor and Second Floor. The payments consist of principle and interest payable semi-annually. The total principle amount is \$8,040,000, with increasing payments through the year 2020. In 2011, payments totaled \$482,954.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Contacting the PHDMC’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the PHDMC’s finances and to reflect the PHDMC’s accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to: Director of Administration, Public Health – Dayton & Montgomery County, 117 S. Main Street, Dayton, Ohio 45422.

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**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2011**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$12,820,593
Total Assets	<u>12,820,593</u>
 <b>Net Assets:</b>	
<b>Restricted for:</b>	
Federal Fund	405,909
Air Pollution	306,541
Food Service	147,325
Capital Projects	1,437,372
Unrestricted	<u>10,523,446</u>
Total Net Assets	<u><u>\$12,820,593</u></u>

*See accompanying notes to the basic financial statements.*





**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
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**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Federal Fund</u>	<u>Air Pollution Fund</u>	<u>Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Cash and Cash Equivalents	\$10,523,446	\$405,909	\$306,541	\$1,437,372	\$147,325	\$12,820,593
Total Assets	<u>10,523,446</u>	<u>405,909</u>	<u>306,541</u>	<u>1,437,372</u>	<u>147,325</u>	<u>12,820,593</u>
<b>Fund Balances:</b>						
Restricted		405,909	306,541			712,450
Committed				1,437,372	147,325	1,584,697
Assigned	1,338,241					1,338,241
Unassigned (Deficit)	9,185,205					9,185,205
Total Fund Balances	<u>\$10,523,446</u>	<u>\$405,909</u>	<u>\$306,541</u>	<u>\$1,437,372</u>	<u>\$147,325</u>	<u>\$12,820,593</u>

*See accompanying notes to the basic financial statements.*

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
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**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Federal Fund</u>	<u>Air Pollution Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>						
Levy Funds	\$18,449,446					\$18,449,446
Intergovernmental Revenues	353,437	\$5,012,690	\$2,082,488			7,448,615
Licenses, Permits and Fees	1,913,476		369,665		\$1,082,553	3,365,694
Charges for Services	3,203,091	1,873,540	51,573		11,890	5,140,094
Miscellaneous	353,214	22,477	1,616		1,433	378,740
<b>Total Receipts</b>	<u>24,272,664</u>	<u>6,908,707</u>	<u>2,505,342</u>		<u>1,095,876</u>	<u>34,782,589</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Salaries and Benefits	13,182,336	6,971,051	2,625,144		1,102,546	23,881,077
Supplies	834,700	310,698	43,251	\$1,250	9,875	1,199,774
Contracts	2,313,408	601,646	94,298	15,403	6,572	3,031,327
Intergovernmental	1,348,482				77,410	1,425,892
Rentals	844,258	683,050	71,171		9,589	1,608,068
Other Disbursements	684,375	417,819	108,554	11,074	50,885	1,272,707
Capital Outlay	87,622	53,665	139,501	47,101		327,889
<b>Debt Service:</b>						
Principal Retirement	372,304					372,304
Interest and Fiscal Charges	110,650					110,650
<b>Total Disbursements</b>	<u>19,778,135</u>	<u>9,037,929</u>	<u>3,081,919</u>	<u>74,828</u>	<u>1,256,877</u>	<u>33,229,688</u>
Excess of Receipts Over (Under) Disbursements	<u>4,494,529</u>	<u>(2,129,222)</u>	<u>(576,577)</u>	<u>(74,828)</u>	<u>(161,001)</u>	<u>1,552,901</u>
<b>Other Financing Sources (Uses):</b>						
Sale of Capital Assets			2,048			2,048
Transfers In		2,200,000	1,100,000	531,252	150,000	3,981,252
Transfers Out	(3,981,252)					(3,981,252)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,981,252)</u>	<u>2,200,000</u>	<u>1,102,048</u>	<u>531,252</u>	<u>150,000</u>	<u>2,048</u>
Net Change in Fund Balances	513,277	70,778	525,471	456,424	(11,001)	1,554,949
Fund Balances Beginning of Year	<u>10,010,169</u>	<u>335,131</u>	<u>(218,930)</u>	<u>980,948</u>	<u>158,326</u>	<u>11,265,644</u>
Fund Balances End of Year	<u>\$10,523,446</u>	<u>\$405,909</u>	<u>\$306,541</u>	<u>\$1,437,372</u>	<u>\$147,325</u>	<u>\$12,820,593</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Levy Funds	\$18,414,225	18,414,225	18,449,446	\$35,221
Intergovernmental Revenues	282,526	286,176	353,437	67,261
Licenses, Permits and Fees	1,994,767	1,994,767	1,913,476	(81,291)
Charges for Services	3,387,500	3,436,984	3,203,091	(233,893)
Miscellaneous	524,495	524,495	353,214	(171,281)
Total Receipts	<u>24,603,513</u>	<u>24,656,647</u>	<u>24,272,664</u>	<u>(383,983)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Health Services	21,665,871	21,747,887	20,440,615	1,307,272
Capital Outlay	276,484	239,084	192,807	46,277
<b>Debt Service:</b>				
Principal Retirement	390,000	390,000	372,304	17,696
Interest and Fiscal Charges	275,319	95,319	110,650	(15,331)
Total Disbursements	<u>22,607,674</u>	<u>22,472,290</u>	<u>21,116,376</u>	<u>1,355,914</u>
Excess of Receipts Over (Under) Disbursements	<u>1,995,839</u>	<u>2,184,357</u>	<u>3,156,288</u>	<u>971,931</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(3,607,066)</u>	<u>(3,987,066)</u>	<u>(3,981,252)</u>	<u>5,814</u>
Total Other Financing Sources (Uses)	<u>(3,607,066)</u>	<u>(3,987,066)</u>	<u>(3,981,252)</u>	<u>5,814</u>
Net Change in Fund Balance	(1,611,227)	(1,802,709)	(824,964)	977,745
Unencumbered Fund Balance Beginning of Year	8,615,782	8,615,782	8,615,782	
Prior Year Encumbrances Appropriated	<u>1,394,387</u>	<u>1,394,387</u>	<u>1,394,387</u>	
Unencumbered Fund Balance End of Year	<u>\$8,398,942</u>	<u>\$8,207,460</u>	<u>\$9,185,205</u>	<u>\$977,745</u>

See accompanying notes to the basic financial statements.

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FEDERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental Revenues	\$5,076,447	\$5,417,443	\$5,012,690	(\$404,753)
Charges for Services	2,463,984	2,463,984	1,873,540	(590,444)
Miscellaneous			22,477	22,477
Total Receipts	<u>7,540,431</u>	<u>7,881,427</u>	<u>6,908,707</u>	<u>(972,720)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Health Services	10,231,930	10,361,106	9,188,733	1,172,373
Capital Outlay	82,274	101,104	63,248	37,856
Total Disbursements	<u>10,314,204</u>	<u>10,462,210</u>	<u>9,251,981</u>	<u>1,210,229</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,773,773)</u>	<u>(2,580,783)</u>	<u>(2,343,274)</u>	<u>237,509</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,200,000</u>	<u>200,000</u>
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,200,000</u>	<u>200,000</u>
Net Change in Fund Balance	(773,773)	(580,783)	(143,274)	437,509
Unencumbered Fund Balance Beginning of Year	(283,927)	(283,927)	(283,927)	
Prior Year Encumbrances Appropriated	<u>619,058</u>	<u>619,058</u>	<u>619,058</u>	
Unencumbered Fund Balance End of Year	<u>(\$438,642)</u>	<u>(\$245,652)</u>	<u>\$191,857</u>	<u>\$437,509</u>

*See accompanying notes to the basic financial statements.*

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
AIR POLLUTION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental Revenues	\$2,322,530	\$2,334,636	\$2,082,488	(\$252,148)
Licenses, Permits and Fees	110,500	110,500	369,665	259,165
Charges for Services	52,000	139,000	51,573	(87,427)
Miscellaneous			1,616	1,616
Total Receipts	<u>2,485,030</u>	<u>2,584,136</u>	<u>2,505,342</u>	<u>(78,794)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Health Services	3,295,796	3,468,442	2,971,086	497,356
Capital Outlay	328,771	223,975	139,501	84,474
Total Disbursements	<u>3,624,567</u>	<u>3,692,417</u>	<u>3,110,587</u>	<u>581,830</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,139,537)</u>	<u>(1,108,281)</u>	<u>(605,245)</u>	<u>503,036</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets			2,048	2,048
Transfers In	1,432,066	1,432,066	1,100,000	(332,066)
Total Other Financing Sources (Uses)	<u>1,432,066</u>	<u>1,432,066</u>	<u>1,102,048</u>	<u>(330,018)</u>
Net Change in Fund Balance	292,529	323,785	496,803	173,018
Un-encumbered Fund Balance Beginning of Year	(272,082)	(272,082)	(272,082)	
Prior Year Encumbrances Appropriated	<u>53,152</u>	<u>53,152</u>	<u>53,152</u>	
Unencumbered Fund Balance End of Year	<u>\$73,599</u>	<u>\$104,855</u>	<u>\$277,873</u>	<u>\$173,018</u>

See accompanying notes to the basic financial statements.

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**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. REPORTING ENTITY**

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 of Health governs the PHDMC, which provides public health services to the citizens of Montgomery County and, for certain programs, surrounding counties also. The Board appoints a health commissioner and all employees of the PHDMC.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the PHDMC. The PHDMC's services include 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 response planning.

**B. Component Units**

Component units are legally separate organizations for which the PHDMC is financially accountable. The PHDMC does not have any component units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the "Basis of Accounting" section below, 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. Generally accepted accounting principles (GAAP) 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, 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 PHDMC's accounting policies.

**A. Basis of Presentation**

The PHDMC's basic financial statements consist of government-wide financial 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 the Statement of Activities display information about the PHDMC as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the PHDMC that are governmental in nature and those that are considered business-type activities.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The PHDMC has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the PHDMC at year end. The Statement of Activities compares disbursements and program receipts for each program or function of the PHDMC's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the PHDMC is responsible. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the PHDMC, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts 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 year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The PHDMC utilizes the governmental category of funds only; it does not have any fiduciary funds.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the PHDMC are typically financed. The following are the PHDMC's major governmental funds:

- a. General Fund** – The General Fund accounts for and reports all financial resources that are not accounted for and reported in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred according to the general laws of Ohio.
- b. 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 & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

- c. Air Pollution Fund** – This fund encompasses the services provided for monitoring and controlling air pollution within Montgomery and surrounding counties. For 2011, this fund does not meet the requirements of major fund reporting; however, the PHDMC has elected to present it as a major fund, since it has been presented as such in previous years.
- d. Capital Project Fund** – This fund was established to assist the PHDMC in gathering the funds needed to repair and maintain its various health centers and to purchase/replace other capital items as needed.

The other governmental funds of the PHDMC account for and report other resources whose use is restricted, committed or assigned to a particular purpose, such as the food protection program.

**C. Basis of Accounting**

The PHDMC's financial statements are prepared using the *cash basis* of accounting, in accordance with *GASB Statement Number 34* provisions for *cash basis* reporting. Except for modifications having substantial support, receipts are recorded in the PHDMC's financial records and reported in the financial statements when cash is received, rather than when earned. Likewise, disbursements are recorded when cash is paid, rather than when a liability is incurred. Any such modifications made by the PHDMC are described in the appropriate section in this note.

As a result of using this *cash basis* of accounting, certain assets and their related revenues (such as accounts receivable and revenue for services billed or provided but 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.

**D. Budgetary Process**

Ohio law requires the Board of Health to budget and appropriate all funds. The major documents prepared are the certificate of estimated resources and the appropriations resolution, which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Health may appropriate. The appropriations resolution is the Board of Health's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board of Health. The legal level of control has been established by the Board of Health at the fund level. Individual grants are limited to their approved budget; the Board must approve any increase or decrease.

ORC Section 5705.28 (C) (1) requires the health district to file an estimate of contemplated revenue and expenses with the municipalities and townships within the health district by about June 1 (forty-five days prior to July 15). The county auditor cannot allocate property taxes from the municipalities and townships within the district if the filing has not been made.

ORC Section 3709.28 establishes budgetary requirements for the general health districts, which are similar to ORC Chapter 5705 budgetary requirements. On or about the first Monday of April the PHDMC must adopt an appropriation measure for the next fiscal year. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the county budget commission.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Subject to estimated resources, the PHDMC may transfer appropriations from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources in effect when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board of Health.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget reflect the first appropriation resolution that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budget represent the final appropriations passed by the Board of Health during the year.

**E. Cash and Investments**

The Montgomery County Treasurer is the custodian for the PHDMC's cash and investments. The County's cash and investment pool holds the PHDMC's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from: Montgomery County Treasurer, 451 W. Third Street, Dayton, OH 45422-1475, 937-225-4010.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The PHDMC reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The PHDMC recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**K. Long-Term Obligations**

The *cash basis* financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received, and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an Other Financing Source nor a Capital Outlay Expenditure is reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use 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.

**M. Fund Balance Reserves**

Fund balance is divided into five classifications based primarily on the extent to which the PHDMC is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or restrictions are imposed by law through constitutional provisions.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Health. Those committed amounts cannot be used for any other purpose unless the Board of Health removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Health, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the PHDMC for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Health or a Health District official delegated that authority by resolution, or by State Statute.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The PHDMC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as Other Financing Sources/Uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET ASSETS/FUND EQUITY**

For 2011, the PHDMC implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

**4. CASH AND CASH EQUIVALENTS**

The Montgomery County Treasurer maintains a cash pool used by all of the County's funds, including those of 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 \$12,820,593. 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.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The *Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis* is presented for the general fund and each major special revenue fund. This group of reports 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 are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$1,338,241
<b>Major Special Revenue Funds:</b>	
Federal Fund	214,052
Air Pollution Fund	28,668
Capital Fund	27,387
Other Governmental Funds	13,517
Total Encumbrances at December 31, 2011	\$1,621,865

**6. 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 13.24. The HSLC has established a policy regarding agencies maintaining fund balances: each levy agency shall strive to maintain its fund balances, to the extent possible, at about 9% of budgeted expenses on average.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the PHDMC. The County Auditor periodically remits to the PHDMC its portion of the taxes collected.

**7. INTER-FUND RECEIVABLES/PAYABLES**

There were no loans or cash advances made between the individual funds during the year; therefore, no Inter-fund payable or receivable balances existed at December 31, 2011.

**8. RISK MANAGEMENT**

**A. Risk Pool Membership**

The agency belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. The PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management and reinsurance services for PEP. The PEP is a member of the American Public Entities Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. The PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**B. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

**C. Financial Position**

The PEP's financial statements (audited by other accountants) conform to generally-accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (this is the latest information available):

	<b>2010</b>	<b>2009</b>
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Retained Earnings	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the PHDMC's share of these unpaid claims collectible in future years is approximately \$167,000. This payable includes the subsequent year's contribution due if the government 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>	
<b>2011</b>	<b>2010</b>
\$179,584	\$186,664

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**D. Commercial Insurance Coverage**

The PHDMC is exposed to various risks of property and casualty losses, and injuries to employees. For the period January 1 through December 31, 2011, PHDMC contracted with the Public Entities Pool of Ohio for third-party claims coverage, with a single occurrence limit of \$5,000,000, no aggregate limit and a \$2,500 deductible.

Professional liability is protected at the level of \$5,000,000 for each single occurrence, no aggregate limit and a \$2,500 deductible.

Vehicle physical damage has a \$1,000 deductible for both comprehensive and collision and is covered to the actual cash value.

Blanket real and personal property including boiler and machinery coverage has a limit of \$11,750,000 and a \$1,000 deductible.

Settled claims have not exceeded this insurance coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**E. Workers' Compensation**

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

**9. HEALTH INSURANCE AND RELATED EMPLOYEE BENEFITS**

The PHDMC offers health, dental and vision coverage to its employees. Open enrollment occurs annually in the spring, with an effective coverage date of July 1<sup>st</sup> each year. Health insurance and prescription benefits were provided through Aetna during the first half of 2011. On July 1<sup>st</sup> Anthem became the health insurance carrier, with Medco as the pharmacy benefit manager. Employees had the option of choosing a traditional Preferred Provider Organization (PPO) plan, or a High Deductible Health Plan with a Health Savings Account (HSA). The HSA accounts are set up through Mellon Bank, and employees make pre-tax contributions via payroll deduction. PHDMC offers a matching contribution up to \$1,000 for each enrolled employee in the HSA plan.

Employees may also elect to participate in a Flexible Spending Account (FSA), which allows them to set aside funds to cover out-of-pocket expenses for medical care and/or dependent child care expenses. Voluntary employee payroll deductions fund the plan, and employees file their own claims. The FSA is administered by FlexBank, Inc., and the PHDMC pays an administrative fee of \$4.50 per month per participating employee.

In addition, the PHDMC provides dental and vision benefits through Superior Dental. Life insurance is provided through Companion Life, at a dollar value of one times the annual salary for full-time employees. Employees also have access to disability insurance, for which the employees pay the full costs.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. HEALTH INSURANCE AND RELATED EMPLOYEE BENEFITS (Continued)**

**A. Tuition Reimbursement Program**

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

**B. Continuing Education Program**

The PHDMC offers 100 percent reimbursement, up to \$1,500 per year per person, for costs associated with college or university courses that benefit the employee in maintaining, enhancing, or remaining current with new methodologies. All courses are subject to prior approval by management, and a minimum grade is required to receive reimbursement.

**10. PENSION PLANS**

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description:** The PHDMC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans:

- **Traditional Pension Plan** – a cost-sharing, multiple-employer defined benefit pension plan.
- **Member-Directed Plan** – 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.
- **Combined Plan** – 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.



**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. PENSION PLANS (Continued)**

The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2011 employer contribution rate for state and local employers was 14.00% of covered payroll.

The PHDMC's required contributions for pension obligations for the years ended December 31, 2011, 2010, and 2009 were \$2,258,803, \$2,417,493, and \$2,428,670, respectively; the full amount has been contributed for each of these years.

**11. POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description:** OPERS administers three separate pension plans, as described in Note 9.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS (Continued)**

The OPERS Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The PHDMC's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$645,340, \$876,930, and \$940,540, respectively; the full amount has been contributed for each of these years.

**12. CONTRACTUAL OBLIGATION**

The PHDMC is paying on a bond issued to Montgomery County to assist in the renovation of the current residence of the PHDMC, 117 S. Main St., Dayton, Ohio, also known as 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 total principal amount is \$8,040,000, with increasing payments through the year 2020. In 2011, payments totaled \$482,954.

Future obligations are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 475,000	\$103,675	\$ 578,675
2013	480,000	96,550	576,550
2014	495,000	89,350	584,350
2015	505,000	79,450	584,450
2016	525,000	69,350	594,350
2017-2020	2,230,000	159,150	2,389,150
Total	<u>\$4,710,000</u>	<u>\$597,525</u>	<u>\$5,307,525</u>

**13. LEASES**

The PHDMC leases several sites for its operations. The PHDMC disbursed \$1,596,503 to pay lease costs for the year ended December 31, 2011. All leases include cancellation provisions. By far the largest is for the Reibold Building, at \$788,858 for the current year. The current lease expires December 31, 2013, and the agreement limits the annual increase to 5.0 percent per year.

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**14. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the PHDMC is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Federal Fund</u>	<u>Air Pollution Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted for:</b>						
Federal Fund Programs		\$405,909				\$ 405,909
Air Pollution Program			\$306,541			306,541
Total Restricted		<u>405,909</u>	<u>306,541</u>			<u>712,450</u>
<b>Committed to:</b>						
Capital Projects and Equipment				\$1,437,372		1,437,372
Food Service Program					\$147,325	147,325
Total Committed				<u>1,437,372</u>	<u>147,325</u>	<u>1,584,697</u>
<b>Assigned to:</b>						
Encumbrances - General Fund	\$ 1,338,241					1,338,241
Total Assigned	<u>1,338,241</u>					<u>1,338,241</u>
Unassigned (deficits):	<u>9,185,205</u>					<u>9,185,205</u>
Total Fund Balances	<u>\$10,523,446</u>	<u>\$405,909</u>	<u>\$306,541</u>	<u>\$1,437,372</u>	<u>\$147,325</u>	<u>\$12,820,593</u>

**15. INTERFUND TRANSFERS**

During 2011 the following transfers were made:

<u>Transferred From:</u>		<u>Transferred To:</u>	
General Fund	\$2,200,000	\$2,200,000	Federal Fund
General Fund	1,100,000	1,100,000	Air Pollution Fund
General Fund	531,252	531,252	Capital Fund
General Fund	150,000	150,000	Other (Food Service Fund)
Total	<u>\$3,981,252</u>	<u>\$3,981,252</u>	

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The general fund transfers to other governmental funds were made to provide additional resources for current operations and capital improvements.

**16. CONTRACTUAL COMMITMENTS**

At December 31, 2011, the PHDMC had \$724,500 in contractual commitments for services. Some of these commitments will be funded by federal and state program grants. Below is a list of the most significant contract amounts and vendors:

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**16. CONTRACTUAL COMMITMENTS (Continued)**

<u>Vendor Name</u>	<u>Amount</u>
Grandview Ambulatory Health Center	\$150,695
Wright State Physicians Inc.	88,217
SHC Services Inc.	59,708
Dayton Children's Medical Center	50,195
Cirrus Concept Consulting Inc.	44,337
Wright State University	34,865
Ron Fayton	20,283
Sonoma Technology	19,541
Miami Valley Interpreters LLC	18,672
Merchants Security Service	18,321
Kronos Inc.	17,787
John Wheeler	15,000
AIDS Resource Center Ohio	11,085
Ergonomic IT, LLC	11,025
Hull & Associates Inc.	10,289
De Marchis Consultants	9,773
Barry Skrobot MD	8,368
Mechanical Systems of Dayton	7,665
DoNet Inc	7,259
Nextel Communications	7,000
Progressive Services Inc.	6,820
William T. Burkhart	6,519
Sandra Kimball	6,120
Montgomery County	6,000
EBS Master, LLC	5,846
VocaLink Foreign Language Service	5,215
E-clinical Works, LLC	5,125
UniFirst Corporation	5,067
Total	<u>\$656,797</u>

**17. CONTINGENT LIABILITIES**

**A. Litigation**

The PHDMC is a party to legal proceedings. Although management cannot presently determine the outcome of the litigation, they believe the resolution of these matters will not have a materially adverse effect on the agency's financial condition.

**B. Grants**

Amounts grantor agencies pay to the PHDMC are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	057-1-001-1-WA-05-11	10.557	\$1,595,910
	057-1-001-1-WA-05-12		475,809
Total Special Supplemental Nutrition Program for Women, Infants, and Children			<u>2,071,719</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Montgomery County</i>			
Lead-Based Paint Hazard Control in Privately-Owned Housing	OHLHB0448-09	14.900	93,610
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Direct Aid</i>			
Air Pollution Control Program Support	A-00526411	66.001	342,984
	A-00526412		84,046
Total Air Pollution Control Program Support			<u>427,030</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM-98577204	66.034	130,984
<i>Passed Through Ohio Department of Health</i>			
State Indoor Radon Grant	057-1-001-2-IR-04-11	66.032	47,748
	057-1-001-2-IR-05-12		10,605
Total State Indoor Radon Grant			<u>58,353</u>
Total U.S. Environmental Protection Agency			<u>616,367</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Direct Aid</i>			
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	1U58DP003707-01	93.531	4,352
<i>Passed Through Ohio Department of Health</i>			
Public Health Emergency Preparedness	057-1-001-2-PH-02-11	93.069	310,735
	057-1-001-2-PH-03-12		114,523
Total Public Health Emergency Preparedness			<u>425,258</u>
Acquired Immunodeficiency Syndrome (AIDS) Activity	057-1-002-2-TB-02-12	93.118	63,452
Immunization Cooperative Agreements	057-1-001-2-IM-03-10	93.268	1,707
	057-1-001-2-IM-04-11		172,824
Total Immunization Cooperative Agreements			<u>174,531</u>
HIV Prevention Activities Health Department Based	057-1-001-2-HP-03-10	93.940	24,959
	057-1-001-2-HP-04-11		369,914
Total HIV Prevention Activities Health Department Based			<u>394,873</u>
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	057-1-001-2-HP-04-11	93.943	<u>8,000</u>
Preventative Health Services Sexually Transmitted Diseases Control Grants	057-1-001-2-ST-03-11	93.977	509
	057-1-001-2-ST-04-12		37,264
Total Preventative Health Services Sexually Transmitted Diseases Control Grants			<u>37,773</u>

(Continued)

**PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
Preventative Health and Health Services Block Grant	057-1-001-4-IP-01-10	93.991	13,500
	057-1-001-4-IP-02-11		60,000
	057-1-001-4-CC-01-10		7,177
	057-1-001-4-CC-02-11		92,491
Total Preventative Health and Health Services Block Grant			<u>173,168</u>
Maternal and Child Health Services Block Grant to the States	057-1-001-1-MC-05-12	93.994	310,179
<b><i>Passed through Wright State University</i></b>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79TI019766	93.243	5,637
	H79T1019766		5,352
	U79SP015042		1,783
	U79SP015042		20,184
	5H79T1018921		3,828
	5H79T1018921		13,715
	1U79SP016434-01		6,823
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			<u>57,322</u>
Total U.S. Department of Health and Human Services			<u>1,648,908</u>
Total			<u><u>\$4,430,604</u></u>

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

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Public Health - Dayton and Montgomery County (the PHDMC's) federal award programs disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the PHDMC to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE C – SAPT BLOCK GRANT**

The Center for Alcoholism and Drug Addiction 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 sub-recipient. ADAMHS reports to SAPT monies on their Federal Awards Expenditure Schedule. These monies will not be reported on the PHDMC's Schedule.

**NOTE D – COMMINGLING**

Federal monies received are commingled with other state and local revenues for the following programs:

- Air Pollution Control Program Support (CFDA #66.001)
- Public Health Emergency Preparedness (CFDA #93.069)
- HIV Prevention Activities – Health Department Based (CFDA #93.940)
- Maternal and Child Health Services Block Grant to the States (CFDA #93.994)

When reporting expenditures on this Schedule, the PHDMC assumes it expends federal monies first.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Public Health – Dayton & Montgomery County  
Montgomery County  
Reibold Building  
117 South Main Street  
Dayton, Ohio 45422

To the Board of Health:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Health – Dayton & Montgomery County, Montgomery County, (the PHDMC) as of and for the year ended December 31, 2011, which collectively comprise the PHDMC's basic financial statements and have issued our report thereon dated August 30, 2012 wherein we noted PHDMC adopted the provisions of Government Accounting Standards Board Statement No. 54, Fund Balance and Governmental Fund Type Definitions for the year ended December 31, 2011. We also noted the PHDMC uses a comprehensive accounting basis 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 opining on the effectiveness of the PHDMC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the PHDMC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the PHDMC's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the PHDMC'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*.

We did note a certain matter not requiring inclusion in this report that we reported to the PHDMC's management in a separate letter dated August 30, 2012.

We intend this report solely for the information and use of management, the Board of Health, federal awarding agencies and pass-through entities, and others within the PHDMC. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 30, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Public Health – Dayton & Montgomery County  
Montgomery County  
Reibold Building  
117 South Main Street  
Dayton, Ohio 45422

To the Board of Health:

### Compliance

We have audited the compliance of Public Health – Dayton & Montgomery County (the PHDMC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Public Health – Dayton & Montgomery County's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the PHDMC's major federal programs. The PHDMC's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the PHDMC's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the PHDMC's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the PHDMC's compliance with these requirements.

In our opinion, the Public Health – Dayton & Montgomery County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

The 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 the PHDMC's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the PHDMC's internal control over compliance.

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**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of management, the Board of Health, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

August 30, 2012

**PUBLIC HEALTH – DAYTON & MONTGOMERY COUNTY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557) Air Pollution Control Program Support (CFDA #66.001) HIV Prevention Activities Health Department Based (CFDA #93.940)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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**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 27, 2012**