

**MONTGOMERY COUNTY
COMBINED HEALTH DISTRICT**

Financial Statements

December 31, 2005

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Health
Montgomery County Combined Health District
117 South Main St.
Dayton, OH 45422-1280

We have reviewed the *Independent Auditors' Report* of the Montgomery County Combined Health District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 to December 31, 2005. 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 Montgomery County Combined Health District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 18, 2007

This Page is Intentionally Left Blank.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report..... | 1 – 2 |
| Management's Discussion and Analysis..... | 3 – 8 |
| Financial Statements: | |
| Statement of Net Assets – Cash Basis..... | 9 |
| Statement of Activities – Cash Basis..... | 10 |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds..... | 11 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds..... | 12 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Budget and Actual – Budget Basis – General Funds..... | 13 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Budget and Actual – Budget Basis – Federal Fund..... | 14 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Budget and Actual – Budget Basis – Air Pollution Fund..... | 15 |
| Notes to the Basic Financial Statements..... | 16 – 29 |
| Schedule of Expenditures of Federal Awards..... | 30 |
| Notes to Schedule of Expenditures of Federal Awards..... | 31 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 32 – 33 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 34 – 35 |
| Schedule of Findings and Questioned Costs..... | 36 |
| Schedule of Prior Year Findings and Questioned Costs | 37 |



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditors' Report

Board of Health
Montgomery County Combined Health District
Dayton, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County Combined Health District (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 the Montgomery County Combined Health District, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons 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 described in Note 2.

As described in Note 4, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006 on our consideration of the District's internal control over financial reporting and on 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.

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.

Clark, Schaefer, Hackett & Co.
December 8, 2006

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

This discussion and analysis of the Combined Health District of Montgomery County's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$2,158,087 or 44 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Federal Fund. This is because of the timing of receipts from grants, such as the Air Pollution and the CADAS Program.
- The District's general receipts are primarily property taxes levied for human services. These receipts represent 44 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 increased to a more normal amount (2004 property tax receipts decreased in order to comply with the new fund balance policy created by the Human Services Levy Council).
- The District created a Capital Project fund during 2005 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.

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 District'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 District 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 District-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. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. The District 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 District's cash basis of accounting, receipts are recognized when received (in cash), rather than when earned, and disbursements when paid, rather than when a liability is incurred.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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 Health District as a Whole

The Montgomery County Combined Health District (the District) is a combined general health district established under the laws of the State of Ohio.

A nine-member Board governs the District, 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.

A reporting entity is comprised of the primary District, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. 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 District did financially during 2005, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the District 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 District's general receipts.

These statements report the District'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 District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, one should also consider other non financial factors as well, such as the District's property tax base, the condition of the District'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 District's activities as governmental. This category includes all of the District'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.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District 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 District's activities. The Governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine the availability of financial resources to support the District's programs. The District'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 District's major Governmental funds are the General Fund, Federal Fund and Air Pollution Fund. The programs reported in Governmental funds are those reported in the Governmental activities section of the District-wide statements.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2005 compared to 2004 on a cash basis:

Table 1
Net Assets

| | Governmental Activities | |
|---------------------------|--------------------------------|------------------|
| | 2005 | 2004 |
| Assets | | |
| Cash and Cash Equivalents | \$ 7,028,171 | 4,870,084 |
| Total Assets | <u>7,028,171</u> | <u>4,870,084</u> |
| Net Assets | | |
| Restricted for: | | |
| Federal Funds | 1,724,541 | 1,052,464 |
| Air Pollution | 1,252,652 | 1,117,448 |
| Food Service | 126,649 | 1,136,056 |
| Capital Projects | 525,000 | - |
| Unrestricted | <u>3,399,329</u> | <u>1,564,116</u> |
| Total Net Assets | \$ <u>7,028,171</u> | <u>4,870,084</u> |

As mentioned previously, net assets of Governmental activities increased \$2,158,087 or 44 percent during 2005. The primary reason contributing to the increase in cash balance is the receipt of property tax monies based on the 9% fund balance policy of the Human Services Levy Council that were not received in 2004.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Table 2 provides a summary of the District's receipts, disbursements and changes in net assets for 2005 as compared to 2004 on a cash basis:

Table 2
Change in Net Assets

| | Governmental Activities | |
|--------------------------------|--------------------------------|-------------------|
| | 2005 | 2004 |
| Receipts | | |
| Program Receipts | | |
| Charges for Services and Sales | \$ 9,688,711 | 7,928,167 |
| Operating Grants | 8,954,756 | 8,357,777 |
| Total Program Receipts | <u>18,643,467</u> | <u>16,285,944</u> |
| General Receipts | | |
| Property and Other Local Taxes | 15,154,125 | 6,601,122 |
| Miscellaneous | 641,953 | 619,725 |
| Total General Receipts | <u>15,796,078</u> | <u>7,220,847</u> |
| Total Receipts | <u>34,439,545</u> | <u>23,506,791</u> |
| Disbursements | | |
| Public Health Services | 31,355,253 | 30,693,638 |
| Capital Outlay | 926,205 | 754,415 |
| Total Disbursements | <u>32,281,458</u> | <u>31,448,053</u> |
| Change in Net Assets | 2,158,087 | (7,941,262) |
| Net Assets, Beginning of Year | <u>4,870,084</u> | <u>12,811,346</u> |
| Net Assets, End of Year | \$ <u>7,028,171</u> | <u>4,870,084</u> |

Program receipts represent 54 percent of the District'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 46 percent of the District's total receipts, and of this amount, 96 percent are local taxes. Other receipts in the amount of \$641,953 are somewhat of an unpredictable revenue source.

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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management’s Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Governmental Activities

The “Total Cost of Service” column of the Statement of Activities lists the major services provided by the District. 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 District 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

| | | Governmental Activities | | | |
|------------------------|----|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | | 2005 | | 2004 | |
| | | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Public Health Services | \$ | 31,355,253 | 12,711,786 | 30,693,638 | 14,407,694 |
| Capital Outlay | | 926,205 | 926,205 | 754,415 | 754,415 |
| Total Disbursements | \$ | <u>32,281,458</u> | <u>13,637,991</u> | <u>31,448,053</u> | <u>15,162,109</u> |

The property tax and other general receipts support 42 percent of the governmental activities.

The District’s Funds

Total Governmental funds had receipts of \$34,433,194 and disbursements of \$32,281,458, excluding other financing sources and uses. The greatest change within Governmental funds occurred within the General Fund. The General Fund received a full allotment of levy funds (previous year the District received a reduce allotment in order to reduce the fund balance to comply with the new Human Services Levy Council rules).

General Fund Budget Highlights

The District’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.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

During 2005, 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.

Final expenditure budget was \$22,336,181 while actual disbursements were \$20,571,147. The \$1,765,034 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 District currently tracks its capital assets. However, since the financial statements are presented on a cash basis, none of these assets are reflected on the District's financial statements. Instead, the acquisitions of property, plant and equipment are recorded as disbursements when paid.

Debt

The District has no debt obligations.

Contractual Obligations

The District is paying on a bond issued by the 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 District occupies the Lower Level, Main Floor and Second Floor. The payments consist of principle and interest payable semi-annually. The District agreed to a bond of \$8,000,000 with repayment to occur semiannually with increasing payments through the year 2020. 2005 payments totaled \$646,069.

Current Issues

The challenge for all Districts is to provide quality services to the public while staying within the restrictions imposed by limited and in some cases shrinking funding. Generally, almost 45% of the District's receipts are from the local levy allocations. The business plan for 2006-2007 positions the District to operate within the proposed allocations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District'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 District, 117 S. Main Street, Dayton Ohio 45422.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
December 31, 2005**

| | Governmental Activities |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ <u>7,028,171</u> |
| Total Assets | <u>7,028,171</u> |
| Net Assets | |
| Restricted for: | |
| Federal Funds | 1,724,541 |
| Air Pollution | 1,252,652 |
| Food Service | 126,649 |
| Capital Projects | 525,000 |
| Unrestricted | <u>3,399,329</u> |
| Total Net Assets | \$ <u><u>7,028,171</u></u> |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Cash</u> | <u>Program Cash Receipts</u> | | <u>Net</u> |
|--------------------------------|----------------------|------------------------------|------------------|----------------------------|
| | <u>Disbursements</u> | <u>Charges for</u> | <u>Operating</u> | <u>(Disbursement)</u> |
| | | <u>Services</u> | <u>Grants</u> | <u>Receipts</u> |
| | | | | <u>and Change</u> |
| | | | | <u>in Net Assets</u> |
| Governmental Activities | | | | Governmental |
| | | | | Activities |
| Public Health Services | \$ 31,355,253 | 9,688,711 | 8,954,756 | (12,711,786) |
| Capital Outlay | <u>926,205</u> | <u>-</u> | <u>-</u> | <u>(926,205)</u> |
| Total Governmental Activities | \$ <u>32,281,458</u> | <u>9,688,711</u> | <u>8,954,756</u> | <u>(13,637,991)</u> |
| General Receipts | | | | |
| | | | | 15,154,125 |
| | | | | <u>641,953</u> |
| Total General Receipts | | | | <u>15,796,078</u> |
| Change in Net Assets | | | | 2,158,087 |
| Net Assets, Beginning of Year | | | | <u>4,870,084</u> |
| Net Assets, End of Year | | | | \$ <u><u>7,028,171</u></u> |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

| | <u>General</u> | <u>Federal Fund</u> | <u>Air Pollution Fund</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|----------------|-------------------------|-------------------------------|--|---|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 3,399,329 | 1,724,541 | 1,252,652 | 651,649 | 7,028,171 |
| Total Assets | \$ 3,399,329 | 1,724,541 | 1,252,652 | 651,649 | 7,028,171 |
| Fund Balances | | | | | |
| Reserved for Encumbrances | \$ 1,138,933 | 227,606 | 38,924 | 2,940 | 1,408,403 |
| Unreserved, Undesignated reported in: | | | | | |
| General Fund | 2,260,396 | - | - | - | 2,260,396 |
| Special Revenue Funds | - | 1,496,935 | 1,213,728 | 123,709 | 2,834,372 |
| Capital Projects Funds | - | - | - | 525,000 | 525,000 |
| Total Fund Balances | \$ 3,399,329 | 1,724,541 | 1,252,652 | 651,649 | 7,028,171 |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>General</u> | <u>Federal Fund</u> | <u>Air Pollution Fund</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-------------------------------|--|---|
| Receipts | | | | | |
| Levy Funds | \$ 15,154,125 | - | - | - | 15,154,125 |
| Intergovernmental Revenues | 702,000 | 5,881,317 | 2,371,439 | - | 8,954,756 |
| Licenses, Permits, and Fees | 1,950,205 | 3,064 | 122,751 | 1,089,862 | 3,165,882 |
| Charges for Services | 3,972,421 | 2,493,117 | 56,087 | 1,204 | 6,522,829 |
| Miscellaneous | 596,957 | 6,426 | 29,266 | 2,953 | 635,602 |
| Total Receipts | <u>22,375,708</u> | <u>8,383,924</u> | <u>2,579,543</u> | <u>1,094,019</u> | <u>34,433,194</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Salaries and Benefits | 12,785,968 | 6,368,935 | 2,407,629 | 891,507 | 22,454,039 |
| Supplies | 782,128 | 336,412 | 70,640 | 7,249 | 1,196,429 |
| Contracts | 2,057,195 | 921,291 | 39,728 | 4,609 | 3,022,823 |
| Other Expenses | 3,360,110 | 973,393 | 205,784 | 142,675 | 4,681,962 |
| Capital Outlay | 446,813 | 312,488 | 152,624 | 14,280 | 926,205 |
| Total Disbursements | <u>19,432,214</u> | <u>8,912,519</u> | <u>2,876,405</u> | <u>1,060,320</u> | <u>32,281,458</u> |
| Receipts Over/(Under) Disbursements | <u>2,943,494</u> | <u>(528,595)</u> | <u>(296,862)</u> | <u>33,699</u> | <u>2,151,736</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 5,679 | 672 | - | - | 6,351 |
| Transfers In | 1,043,106 | 1,200,000 | 432,066 | 525,000 | 3,200,172 |
| Transfers Out | (2,157,066) | - | - | (1,043,106) | (3,200,172) |
| Total Other Financing Sources (Uses) | <u>(1,108,281)</u> | <u>1,200,672</u> | <u>432,066</u> | <u>(518,106)</u> | <u>6,351</u> |
| Net Change in Fund Balances | 1,835,213 | 672,077 | 135,204 | (484,407) | 2,158,087 |
| Fund Balances, Beginning of Year | 1,564,116 | 1,052,464 | 1,117,448 | 1,136,056 | 4,870,084 |
| Fund Balances, End of Year | \$ <u>3,399,329</u> | <u>1,724,541</u> | <u>1,252,652</u> | <u>651,649</u> | <u>7,028,171</u> |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**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, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---------------------------------------|-------------------------|-------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Levy Funds | \$ 15,550,000 | 15,550,000 | 15,154,125 | (395,875) |
| Intergovernmental Revenues | 800,508 | 707,758 | 702,000 | (5,758) |
| Licenses, Permits, and Fees | 1,616,933 | 1,859,233 | 1,950,205 | 90,972 |
| Charges for Services | 4,103,132 | 4,122,025 | 3,972,421 | (149,604) |
| Miscellaneous | 325,620 | 350,620 | 596,957 | 246,337 |
| Total Receipts | <u>22,396,193</u> | <u>22,589,636</u> | <u>22,375,708</u> | <u>(213,928)</u> |
| Disbursements | | | | |
| Public Health Services | 20,853,613 | 21,396,185 | 19,959,267 | 1,436,918 |
| Capital Outlay | 1,170,427 | 939,996 | 611,880 | 328,116 |
| Total Disbursements | <u>22,024,040</u> | <u>22,336,181</u> | <u>20,571,147</u> | <u>1,765,034</u> |
| Receipts Over/(Under) Disbursements | <u>372,153</u> | <u>253,455</u> | <u>1,804,561</u> | <u>1,551,106</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | - | - | 5,679 | 5,679 |
| Transfers In | 1,545,000 | 1,545,000 | 1,043,106 | (501,894) |
| Transfers Out | (2,278,135) | (2,157,066) | (2,157,066) | - |
| Total Other Financing Sources (Uses) | <u>(733,135)</u> | <u>(612,066)</u> | <u>(1,108,281)</u> | <u>(496,215)</u> |
| Net Change in Fund Balances | (360,982) | (358,611) | 696,280 | 1,054,891 |
| Fund Balances, Beginning of Year | 316,279 | 316,279 | 316,279 | - |
| Prior Year Encumbrances Appropriated | <u>1,247,837</u> | <u>1,247,837</u> | <u>1,247,837</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,203,134</u> | <u>1,205,505</u> | <u>2,260,396</u> | <u>1,054,891</u> |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
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, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---------------------------------------|-------------------------|--------------------|------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental Revenues | \$ 5,242,457 | 5,710,349 | 5,881,317 | 170,968 |
| Licenses, Permits, and Fees | - | - | 3,064 | 3,064 |
| Charges for Services | 2,196,350 | 2,196,350 | 2,493,117 | 296,767 |
| Miscellaneous | - | 375 | 6,426 | 6,051 |
| Total Receipts | <u>7,438,807</u> | <u>7,907,074</u> | <u>8,383,924</u> | <u>476,850</u> |
| Disbursements | | | | |
| Public Health Services | 9,129,581 | 9,426,689 | 8,810,884 | 615,805 |
| Capital Outlay | 160,408 | 331,948 | 329,241 | 2,707 |
| Total Disbursements | <u>9,289,989</u> | <u>9,758,637</u> | <u>9,140,125</u> | <u>618,512</u> |
| Receipts Over/(Under) Disbursements | <u>(1,851,182)</u> | <u>(1,851,563)</u> | <u>(756,201)</u> | <u>1,095,362</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | - | - | 672 | 672 |
| Transfers In | 1,200,000 | 1,200,000 | 1,200,000 | - |
| Total Other Financing Sources (Uses) | <u>1,200,000</u> | <u>1,200,000</u> | <u>1,200,672</u> | <u>672</u> |
| Net Change in Fund Balances | (651,182) | (651,563) | 444,471 | 1,096,034 |
| Fund Balances, Beginning of Year | 752,047 | 752,047 | 752,047 | - |
| Prior Year Encumbrances Appropriated | 300,417 | 300,417 | 300,417 | - |
| Fund Balances, End of Year | \$ <u>401,282</u> | <u>400,901</u> | <u>1,496,935</u> | <u>1,096,034</u> |

See accompanying notes to the basic financial statements.

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
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, 2005**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---------------------------------------|-------------------------|--------------------|------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental Revenues | \$ 1,983,577 | 1,983,577 | 2,371,439 | 387,862 |
| Licenses, Permits, and Fees | 52,519 | 52,519 | 122,751 | 70,232 |
| Charges for Services | 41,400 | 63,400 | 56,087 | (7,313) |
| Miscellaneous | - | - | 29,266 | 29,266 |
| Total Receipts | <u>2,077,496</u> | <u>2,099,496</u> | <u>2,579,543</u> | <u>480,047</u> |
| Disbursements | | | | |
| Public Health Services | 3,418,595 | 3,454,570 | 2,752,824 | 701,746 |
| Capital Outlay | 114,836 | 116,961 | 162,505 | (45,544) |
| Total Disbursements | <u>3,533,431</u> | <u>3,571,531</u> | <u>2,915,329</u> | <u>656,202</u> |
| Receipts Over/(Under) Disbursements | <u>(1,455,935)</u> | <u>(1,472,035)</u> | <u>(335,786)</u> | <u>1,136,249</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 432,066 | 432,066 | 432,066 | - |
| Total Other Financing Sources (Uses) | <u>432,066</u> | <u>432,066</u> | <u>432,066</u> | <u>-</u> |
| Net Change in Fund Balances | (1,023,869) | (1,039,969) | 96,280 | 1,136,249 |
| Fund Balances, Beginning of Year | 1,046,822 | 1,046,822 | 1,046,822 | - |
| Prior Year Encumbrances Appropriated | 70,626 | 70,626 | 70,626 | - |
| Fund Balances, End of Year | \$ <u>93,579</u> | <u>77,479</u> | <u>1,213,728</u> | <u>1,136,249</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – DESCRIPTION OF THE HEALTH DISTRICT AND REPORTING ENTITY

The Montgomery County Combined Health District (the District) is a combined general health district established under the laws of the State of Ohio.

A nine-member Board governs the District, 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 District consists of all funds, departments, boards and agencies that are not legally separate from the District. The District'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 preparedness programs.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The District prepares its financial statements in accordance with the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that 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 District as a whole. These statements include the financial activities of the primary government.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash 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. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the District.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

2. Fund Financial Statements

During the year, the District segregates transactions related to certain District 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 District 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.

3. Fund Accounting

The District 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 related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes the governmental category of funds.

4. Governmental Funds

Governmental funds are those through which most governmental functions of the District 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 District'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.

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

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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

5. Measurement Focus

The District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

6. Basis of Accounting

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivables and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and 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.

B. 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 District amends the certificate of estimated resources during the year if the District 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 Federal Fund and the Air Pollution Fund do not include encumbrances carry over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

As required by Ohio Revised Code, the County Treasurer is custodian for the District's cash. The District's assets are held in the County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

D. 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.

E. Capital Assets

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

F. 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.

G. 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 District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

H. Fund Balance Reserves

The District 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.

I. 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.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity' information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the District at December 31, 2005.

NOTE 4 – 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, 2005 amounted to \$1,138,933, \$227,606 and \$38,924, respectively.

NOTE 5 – DEPOSITS AND INVESTMENTS

The Montgomery County Treasurer serves as the fiscal agent for the District and is responsible for investing funds in active, inactive and interim deposits.

The Ohio Revised Code restricts deposits and investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer’s investment pool (STAR Ohio).

In addition, authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Montgomery County Treasurer serves as the fiscal agent for the District and the investments of Montgomery County funds, including the District’s cash. The District maintains no control over the investment of its cash. At December 31, 2005, the carrying amount of the District’s deposits was \$7,028,171.

The District relies on the Montgomery County Treasurer to monitor interest rate, credit and concentration of credit risk associated with the District’s deposits.

NOTE 6 – PROPERTY TAXES

The County Commissioners have established a Human Services Levy Council (HSLC) in which the District 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 7 – INTERFUND TRANSFERS

Interfund cash transfers for the year ended December 31, 2005 were as follows:

| <u>TRANSFER IN</u> | <u>TRANSFER OUT</u> | | |
|-----------------------------|---------------------|--|------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
| General Fund | \$ - | 1,043,106 | 1,043,106 |
| Federal Fund | 1,200,000 | - | 1,200,000 |
| Air Pollution Fund | 432,066 | - | 432,066 |
| Nonmajor Governmental Funds | 525,000 | - | 525,000 |
| | <u>\$ 2,157,066</u> | <u>1,043,106</u> | <u>3,200,172</u> |

Transfers from the nonmajor governmental funds to the General Fund represent monies the General Fund paid on behalf of the Food Services Fund in 2000, 2001, and 2002.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8 – RISK MANAGEMENT

A. Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions,
- Employee health, life and dental insurance

B. Risk Pool Membership

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation.

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.

Property Coverage

The Travelers Indemnity Company 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 provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8 – RISK MANAGEMENT (Continued)

B. Risk Pool Membership (Continued)

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Error and Omissions (Wrongful Acts)

Coverage 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, 2005 and 2004.

| | <u>2005</u> | <u>2004</u> |
|-------------------------------|----------------------|---------------------|
| <u>Casualty Coverage:</u> | | |
| Assets | \$ 29,719,675 | 27,437,169 |
| Liabilities | <u>(15,994,168)</u> | <u>(13,880,038)</u> |
| Retained Earnings | <u>\$ 13,725,507</u> | <u>13,557,131</u> |
| <u>Property Coverage:</u> | | |
| Assets | \$ 4,443,332 | 3,648,272 |
| Liabilities | <u>(1,068,246)</u> | <u>(540,073)</u> |
| Retained Earnings | <u>\$ 3,375,086</u> | <u>3,108,199</u> |

B. Risk Pool Membership (Continued)

The casualty coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these claims is approximately \$317,694.

C. Workers' Compensation

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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8 – RISK MANAGEMENT (Continued)

D. Employee Medical Benefits

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

In addition, the District has established a “Flexible Spending Account” to supplement the services provided under the health insurance plan. Voluntary employee payroll deductions fund the plan, and employees file their own claims. FlexBank administers the plan. The District 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> |
|-------------|----------------------------------|-----------------|--------------------|----------------------------|
| 2004 | \$ <u>-</u> | <u>35,384</u> | <u>27,128</u> | <u>8,256</u> |
| 2005 | \$ <u>8,256</u> | <u>120,682</u> | <u>117,834</u> | <u>11,104</u> |

E. Tuition Reimbursement Program

The District 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, and with accompanying receipt, the District reimburses the employee 70 percent of the cost. The employee must agree to remain with the District for a minimum of 3 years after graduation or repay up to 90 percent of the total reimbursement.

NOTE 9 – PENSION OBLIGATIONS

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- **The Traditional Pension Plan** — a cost sharing, multiple-employer defined benefit pension plan.
- **The 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% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- **The Combined Plan** — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to 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.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 9 – PENSION OBLIGATIONS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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 writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2005 member contribution rates were 8.5% for members in state and local classifications. The employer contribution rate was 13.55% of covered payroll. The District's required contributions for pension obligations to the plans for the years ended December 31, 2005 and 2004 were \$2,231,100, and \$1,557,409, respectively; with 96.2% contributed for 2005 with the remaining 3.8% paid in January 2006 and 100% contributed for 2004.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage 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 postemployment health care coverage.

In order to qualify for postretirement 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 is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate for local government employer units the rate was 13.55% of covered payroll; 4.00% was the portion used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2004.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Funding Method: An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return: The investment assumption rate for 2004 was 8.00%.

Active Employee Total Payroll: An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287.

The portion of District's contributions that were used to fund postemployment benefits was \$658,416. \$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB as of December 31, 2004. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan: The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 11 – CONTINGENCIES

A. Litigation

The District 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 District's financial condition.

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 11 – CONTINGENCIES (Continued)

B. Grants

The District 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, 2005 will not have a material adverse effect on the District.

NOTE 12 – CONTRACTUAL OBLIGATION

The District 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 District occupies the Lower Level, Main Floor and Second Floor. The payments consist of principal and interest payable semi-annually. The District agreed to a bond of \$8,000,000 with repayment to occur semiannually with increasing payments through the year 2020. The 2005 payments totaled \$646,069. Future obligation's are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|--------------|
| 2006 | \$ 290,000 | 357,318 | 647,318 |
| 2007 | 310,000 | 342,818 | 652,818 |
| 2008 | 325,000 | 327,318 | 652,318 |
| 2009 | 350,000 | 311,068 | 661,068 |
| 2010 | 365,000 | 291,568 | 656,568 |
| 2011-2015 | 2,195,000 | 1,164,586 | 3,359,586 |
| 2016-2020 | 2,940,000 | 501,770 | 3,441,770 |
| Total | \$ 6,775,000 | 3,296,446 | 10,071,446 |

NOTE 13 – OPERATING LEASES

The District leases several sites for operations. The District disbursed \$1,383,745 to pay lease costs for the year ended December 31, 2005. All leases include cancellation provisions. By far the largest is for the Reibold Building, for current year \$759,381. Agreement limits increase to 5% per year. Current lease expires December 31, 2007.

NOTE 14 – CONTRACTUAL COMMITMENTS

At December 31, 2005, the District had \$1,104,578 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 | \$ 11,788 |
| AIDS Resource Center of Ohio | 21,503 |
| Alberta M. Scruggs | 2,640 |
| AT Systems Great Lakes, Inc. | 965 |
| Audiology & Speech Assoc. | 5,208 |
| Barry Skrobot, M.D. | 3,838 |

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 14 – CONTRACTUAL COMMITMENTS (Continued)

| VENDOR | AMOUNT |
|--------------------------------------|---------------|
| Best Buy Commercial | \$ 360 |
| Bruce Baniyas, M.D. | 1,226 |
| Buck Run Specialties | 12,936 |
| CDW Government, Inc. | 656 |
| CIM Audio Visual | 500 |
| Cintas Corporation | 132 |
| Cintas Document Management | 2,125 |
| Claver Lumana Pashi | 2,500 |
| Clemans, Nelson, & Assoc., Inc. | 2,782 |
| Cleveland Dept. of Public Health Lab | 2,000 |
| Columbus Health Dept. | 4,865 |
| Compunet Clinical Labs | 19,927 |
| Control Analytics Inc. | 7,776 |
| CSI Copp Systems Integrator | 37,017 |
| CTL Engineering, Inc. | 271 |
| David Hoskins | 3,648 |
| Daymont West Behavioral Health Care | 20,636 |
| Dayton Yellow Cab Company | 1,119 |
| De Marchis Consultants | 2,457 |
| Dell Marketing LP | 4,756 |
| Diane David | 289 |
| Digital Controls Corp. | 89,820 |
| Eagle Exhibit Services | 2,465 |
| Economy Linen & Towel | 478 |
| Fidelity Health Care Inc. | 9,355 |
| Gloria Jean Scott | 100 |
| Good Samaritan Hospital | 160,000 |
| Grandview Ambulatory Health Center | 223,000 |
| Hamilton County Treasurer | 4,060 |
| Ikon Office Solutions | 6,600 |
| Jeanne Bohrer, M.D. | 4,677 |
| Kessler Sign Company | 7,945 |
| Kettering Radiologists Inc. | 4,795 |
| Kforce Professional Staffing, Inc. | 1,536 |
| Laboratory Corp. of America Holdings | 1,170 |
| Lifestages | 2,714 |
| Litho Print Limited | 2,402 |
| Mara V. Lamb RD LD | 1,300 |
| Melinda J. Fridley | 150 |
| Merchants Security Services | 3,755 |
| Miami Valley Hospital | 116,049 |
| Miami Valley Interpreters, LLC | 2,460 |

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 14 – CONTRACTUAL COMMITMENTS (Continued)

| <u>VENDOR</u> | <u>AMOUNT</u> |
|--|----------------------------|
| Miami Valley R.T.A. | \$ 64 |
| Monco Enterprises, Inc. | 740 |
| Montgomery County | 11,000 |
| Mt. Enon Missionary Baptist Church | 5,833 |
| Nicolini Enterprises | 5,400 |
| Patricia Dempsey, D.O. | 549 |
| Patricia Fine-Rosenstein, M.D. | 28,091 |
| PCMall Gov | 4,918 |
| Pitney Bowes, Inc. | 2,005 |
| Prime Holdings LLC | 10,407 |
| Print Smart | 593 |
| Professional Flooring | 4,010 |
| Progressive Janitorial Services Inc. | 27,565 |
| Quadax, Inc. | 454 |
| Reese Roofing Inc. | 4,662 |
| Rhea R. Rowser, M.D. | 446 |
| RNS Equities LLC | 19,838 |
| Robin Melnick | 313 |
| Salem Office Supply, Inc. | 780 |
| Sandra Kimball | 1,080 |
| Sonitrol of SW Ohio | 320 |
| Southern Christian Leadership Conference | 3,698 |
| Standard Register Company | 4,569 |
| Staveley Services | 400 |
| Stenpho Company, Inc. | 4,200 |
| Stephen Mathai, M.D. | 9,852 |
| Tamarac Medical, Inc. | 310 |
| The Digital Fringe | 214 |
| Treasurer, State of Ohio | 5,240 |
| United Way of the Greater Dayton Area | 179 |
| University Medical Services Assoc., Inc. | 53,929 |
| University of Dayton | 1,479 |
| Vocalink Foreign Language Service | 3,375 |
| William D. Miles D.O., P.C. | 4,941 |
| William T. Burkhart | 16,140 |
| Wright State University | 44,684 |
| YMCA | 2,603 |
| YMCA Of Metropolitan Dayton | 950 |
| Total | \$ <u>1,104,582</u> |

**MONTGOMERY COUNTY COMBINED HEALTH DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2005**

| Federal Grantor / Pass Through Grantor Program Title | Pass Through Entity Number | CFDA Number | Disbursements |
|--|--|------------------------|----------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed through Ohio Department of Health</i> | | | |
| Special Supplemental Nutrition Program For Women, Infants, and Children | 57-1-001-1-CL-05 | 10.557 | \$ 1,359,316 |
| | 57-1-001-1-CL-06 | | 353,338 |
| Total Special Supplemental Nutrition Program For Women, Infants, and Children | | | <u>1,712,654</u> |
| UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| <i>Passed through Montgomery County</i> | | | |
| Lead-Based Paint Hazard Control in Privately-Owned Housing | OHLHB0223-02 | 14.900 | 57,361 |
| UNITED STATES ENVIRONMENTAL PROTECTION AGENCY | | | |
| <i>Received Directly</i> | | | |
| Air Pollution Control Program Support | A-00526405-2 | 66.001 | 381,643 |
| | A-00526406-2 | | 93,990 |
| Total Air Pollution Control Program Support | | | <u>475,633</u> |
| Indoor Radon | 57-1-003-2-BA-06 | 66.032 | 61,537 |
| Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities relating to the Clean Air Act | PM-98577202-3 X-97595501-2 XA-83147401-0 | 66.034 | 187,298 7,747 24,498 |
| Total Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities relating to the Clean Air Act | | | <u>219,543</u> |
| Total United States Environmental Protection Agency | | | 756,713 |
| UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed through Ohio Department of Health</i> | | | |
| Medical Reserve Corps Small Grant Program | MRCS9030071-03-0 | 93.008 | 67,514 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 5 H79 TI14546-04 | 93.243 | 55,057 |
| Acquired Immunodeficiency Syndrome Activity | 57-1-001-2-CK-04 57-1-001-2-CK-05 | 93.118 | 5,235 59,465 |
| Total Acquired Immunodeficiency Syndrome Activity | | | <u>64,700</u> |
| Childhood Immunization Grants | 57-1-001-2-AZ-04 57-1-001-2-AZ-05 | 93.268 | 11,008 210,234 |
| Total Childhood Immunization Grants | | | <u>221,242</u> |
| Ryan White Planning and Evaluation | 57-1-001-BV-05 57-1-001-BV-06 | 93.917 | 17,375 20,609 |
| Total Ryan White Planning and Evaluation | | | <u>37,984</u> |
| HIV Prevention Activities | 57-1-001-2-AS-04 57-1-001-2-AS-05 | 93.940 | 52,232 307,293 |
| Total HIV Prevention Activities | | | <u>359,525</u> |
| Maternal and Child Health Services Block Grants to States | | | |
| OIMRI Prenatal | 57-1-001-1-DM-05 | 93.994 | 87,346 |
| Child and Family Health Services Program | 57-1-001-1-MC-05 57-1-001-1-MC-06 | | 301,858 47,337 |
| Total Maternal and Child Health Services Block Grants to States | | | <u>436,541</u> |
| Preventive Health Services - Sexually Transmitted Diseases | 57-1-001-2-BX-05 57-1-001-2-BX-06 | 93.977 | 10,955 105,595 |
| Total Preventive Health Services - Sexually Transmitted Diseases | | | <u>116,550</u> |
| Childhood Lead Poisoning Prevention Project | 57-1-001-1-BD-05 57-1-001-1-BD-06 | 93.197 | 27,082 20,281 |
| Total Childhood Lead Poisoning Prevention Project | | | <u>47,363</u> |
| Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 57-1-001-2-BI-05 57-1-001-2-BI-06 | 93.283 | 728,423 111,021 |
| Total Centers for Disease Control and Prevention_ Investigations and Technical Assistance | | | <u>839,444</u> |
| Total United States Department of Health and Human Services | | | <u>2,245,920</u> |
| Total Federal Awards Expenditures | | | \$ <u>4,772,648</u> |

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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District 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 Montgomery County Combined Health District (the District). 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 District's Schedule.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

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
Montgomery County Combined Health District
Dayton, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County Combined Health District (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2006, in we noted the District adopted GASB Statement No. 40 and which it was noted the District prepared its financial statements on the cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

This report is intended solely for the information and use of the District's 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
December 8, 2006



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

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
Montgomery County Combined Health District
Dayton, Ohio

Compliance

We have audited the compliance of the Montgomery County Combined Health District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The District'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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District's 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
December 8, 2006

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Maternal and Child Health Services Block Grant to the States – CFDA # 93.994 HIV Prevention Activities – CFDA # 93.940 Centers for Disease Control and Prevention-Investigations and Technical Assistance – CFDA # 93.283 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | 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

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

**Schedule of Prior Year Audit Findings and Questioned Costs
OMB Circular A-133 § 315(b)
December 31, 2005**

None



Mary Taylor, CPA
Auditor of State

MONTGOMERY COUNTY COMBINED HEALTH DISTRICT

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
MAY 10, 2007**