



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Health:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the PHDMC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the PHDMC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the PHDMC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Federal and Air Pollution funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

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Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the PHDMC's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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* and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PHDMC's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

September 6, 2013

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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, 2012, 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 2012 are as follows:

- Net position decreased by \$2,394,806, or 18.7% from 2011. Total net position at year-end was \$10,425,787. The PHDMC had \$36,060,958 in total disbursements during 2012, which is an increase of 8.5% from 2011.
- The increase in disbursements was largely due to a lump-sum payment of \$5,307,525 to Montgomery County for PHDMC’s portion of a bond issued in 2000 to fund renovations to the Reibold Building. By paying this off eight years early, the PHDMC will eliminate payments of approximately \$600,000 per year through the year 2020. The PHDMC received a one-time funding distribution from the Human Services Levy Council to support this.
- 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 \$15,832,920 in levy funds in 2012, which represents 47% of the PHDMC’s total receipts for the year.
- Program-specific receipts in the form of Charges for Services and Operating Grants comprise 51.1% of total receipts.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(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 Position –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 Position* and the *Statement of Activities* reflect how the PHDMC did financially during 2012, within the limitations of the cash basis of accounting. The *Statement of Net Position –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
MONTGOMERY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED
(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 Position –Cash Basis* and the *Statement of Activities –Cash Basis* present governmental activities, which include all of 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 position for 2012 compared to 2011 on a cash basis:

**Table 1
Net Position –Cash Basis**

	Governmental Activities	
	2012	2011
Assets:		
Cash and Cash Equivalents	\$10,425,787	\$12,820,593
Total Assets	<u>10,425,787</u>	<u>12,820,593</u>
Net Position:		
Restricted for:		
Federal Fund	1,367,606	405,909
Air Pollution	1,117,632	306,541
Food Service	312,547	147,325
Capital Projects	1,669,105	1,437,372
Unrestricted	5,958,897	10,523,446
Total Net Position	<u>\$10,425,787</u>	<u>\$12,820,593</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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(Continued)**

As mentioned previously, net position decreased by \$2,394,806. 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 position in 2012 and provides a comparison to prior year amounts:

**Table 2
Changes in Net Position**

	Governmental Activities		
	2012	2011	Change
Receipts:			
Program Cash Receipts:			
Charges for Services	\$ 8,708,028	\$ 8,505,788	\$ 202,240
Operating Grants	8,509,804	7,453,069	1,056,735
Total Program Receipts	<u>17,217,832</u>	<u>15,958,857</u>	<u>1,258,975</u>
General Receipts:			
Property and Other Local Taxes	15,832,920	18,449,446	(2,616,526)
Miscellaneous	615,400	376,334	239,066
Total General Receipts	<u>16,448,320</u>	<u>18,825,780</u>	<u>(2,377,460)</u>
Total Receipts	<u>33,666,152</u>	<u>34,784,637</u>	<u>(1,118,485)</u>
Disbursements:			
Public Health Services	30,301,437	32,418,845	(2,117,408)
Capital Outlay	451,996	327,889	124,107
Debt Service:			
Principal Retirement	4,710,000	372,304	4,337,696
Interest and Fiscal Charges	597,525	110,650	486,875
Total Disbursements	<u>36,060,958</u>	<u>33,229,688</u>	<u>2,831,270</u>
Change in Net Position	<u>(2,394,806)</u>	<u>1,554,949</u>	<u>(3,949,755)</u>
Net Position Beginning of Year	<u>12,820,593</u>	<u>11,265,644</u>	<u>1,554,949</u>
Net Position End of Year	<u>\$10,425,787</u>	<u>\$12,820,593</u>	<u>(\$2,394,806)</u>

In 2012, forty-nine percent of the PHDMC’s total receipts were from General Receipts, which consist almost entirely of property taxes. Program Receipts accounted for fifty-one 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 increased by \$202,240, or about 2% from 2011 to 2012; this was mainly due to Plumbing Inspections and Food Service fees. Operating Grants increased by \$1,056,733. The Ohio Department of Health awarded the PHDMC an additional \$772,000 for 2012, to oversee HIV and Sexually Transmitted Disease (STD) prevention efforts in Region 6 (Hamilton County). In addition, the Community Transformation Grant accounted for \$170,696 in new grant funds in 2012.

Total Disbursements increased by \$2,831,268. As noted earlier, the PHDMC paid off the remainder of its debt obligation, which totaled \$5,307,525. This was partially offset by reduced expenses in Salaries and Benefits due to planned reductions in several programs and other vacancies that occurred during the year. Supply costs and health center subsidies also decreased in 2012.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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 84% 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**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Public Health Services	\$30,301,437	\$13,083,605	\$32,418,845	\$16,459,988
Capital Outlays	451,996	451,996	327,889	327,889
Debt Service:				
Principal	4,710,000	4,710,000	372,304	372,304
Interest	597,525	597,525	110,650	110,650
Total	\$36,060,958	\$18,843,126	\$33,229,688	\$17,270,831

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 2012, fifty-two percent of costs were supported through property taxes, unrestricted grants and other general receipts.

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 2012, the governmental funds reported total ending fund balances of \$10,425,787. Of this amount, \$4,786,181 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 position on the *Statement of Net Position –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, 2012
UNAUDITED
(Continued)**

The general fund is the chief operating fund of the PHDMC. At the end of 2012, unassigned fund balance in the general fund was \$4,786,181. 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 21% of the total general fund expenditures.

Expenditures exceeded revenues in the general fund by \$1,412,467 in 2012. Levy funds account for 73% of revenues in the general fund; Charges for Services account for 14%; and Licenses, Permits and Fees make up 9% 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 2012, the federal fund balance was \$1,367,606.

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 2012 was \$1,117,632.

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 2012, 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 \$26,399,587, compared to actual disbursements of \$24,167,081. This favorable variance of \$2,232,506 reflects decreases in salaries and related benefits due to staffing reductions in several areas, 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, since 2001 it has been 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 was \$8,040,000, with increasing payments scheduled through the year 2020. However, in 2012, the PHDMC paid off the total remaining balance of \$4,710,000.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
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 POSITION - CASH BASIS
1'DECEMBER 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$10,425,787
Total Assets	<u>10,425,787</u>
Net Position:	
Restricted for:	
Federal Fund	1,367,606
Air Pollution	1,117,632
Food Service	312,547
Capital Projects	1,669,105
Unrestricted	5,958,897
Total Net Position	<u>\$10,425,787</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, 2012**

	<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>
Assets:						
Cash and Cash Equivalents	\$5,958,897	\$1,367,606	\$1,117,632	\$1,669,105	\$312,547	\$10,425,787
Total Assets	<u>5,958,897</u>	<u>1,367,606</u>	<u>1,117,632</u>	<u>1,669,105</u>	<u>312,547</u>	<u>10,425,787</u>
Fund Balances:						
Restricted		1,367,606	1,117,632			2,485,238
Committed				1,669,105	312,547	1,981,652
Assigned	1,172,716					1,172,716
Unassigned (Deficit)	4,786,181					4,786,181
Total Fund Balances	<u>\$5,958,897</u>	<u>\$1,367,606</u>	<u>\$1,117,632</u>	<u>\$1,669,105</u>	<u>\$312,547</u>	<u>\$10,425,787</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, 2012**

	<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>
Receipts:						
Levy Funds	\$15,832,920					\$15,832,920
Intergovernmental Revenues	237,501	\$5,355,114	\$2,890,798			8,483,413
Licenses, Permits and Fees	1,977,755	1,200	135,439		\$1,170,275	3,284,669
Charges for Services	2,943,583	2,374,957	97,141		7,678	5,423,359
Miscellaneous	590,139	11,400	12,720		3,066	617,325
Total Receipts	<u>21,581,898</u>	<u>7,742,671</u>	<u>3,136,098</u>		<u>1,181,019</u>	<u>33,641,686</u>
Disbursements:						
Current:						
Salaries and Benefits	11,917,345	6,439,919	2,142,566		1,153,151	21,652,981
Supplies	577,521	266,779	61,740		10,118	916,158
Contracts	2,134,513	1,287,503	137,648	\$3,700	7,484	3,570,848
Intergovernmental	1,430,692				76,876	1,507,568
Rentals	788,093	708,235	80,247		16,250	1,592,825
Other Disbursements	651,844	242,833	117,905		48,475	1,061,057
Capital Outlay	186,832	35,705	186,449	39,567	3,443	451,996
Debt Service:						
Principal Retirement	4,710,000					4,710,000
Interest and Fiscal Charges	597,525					597,525
Total Disbursements	<u>22,994,365</u>	<u>8,980,974</u>	<u>2,726,555</u>	<u>43,267</u>	<u>1,315,797</u>	<u>36,060,958</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,412,467)</u>	<u>(1,238,303)</u>	<u>409,543</u>	<u>(43,267)</u>	<u>(134,778)</u>	<u>(2,419,272)</u>
Other Financing Sources (Uses):						
Sale of Capital Assets	11,918		12,548			24,466
Transfers In		2,200,000	389,000	275,000	300,000	3,164,000
Transfers Out	(3,164,000)					(3,164,000)
Total Other Financing Sources (Uses)	<u>(3,152,082)</u>	<u>2,200,000</u>	<u>401,548</u>	<u>275,000</u>	<u>300,000</u>	<u>24,466</u>
Net Change in Fund Balances	(4,564,549)	961,697	811,091	231,733	165,222	(2,394,806)
Fund Balances Beginning 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>
Fund Balances End of Year	<u>\$5,958,897</u>	<u>\$1,367,606</u>	<u>\$1,117,632</u>	<u>\$1,669,105</u>	<u>\$312,547</u>	<u>\$10,425,787</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Levy Funds	\$15,909,647	\$15,909,647	\$15,832,920	(\$76,727)
Intergovernmental Revenues	227,100	241,625	237,501	(4,124)
Licenses, Permits and Fees	1,908,331	1,908,331	1,977,755	69,424
Charges for Services	3,177,306	3,434,609	2,943,583	(491,026)
Miscellaneous	294,245	447,495	590,139	142,644
Total Receipts	<u>21,516,629</u>	<u>21,941,707</u>	<u>21,581,898</u>	<u>(359,809)</u>
Disbursements:				
Current:				
Public Health Services	20,632,262	20,736,793	18,596,405	2,140,388
Capital Outlay	325,272	355,269	263,151	92,118
Debt Service:				
Principal Retirement	5,307,525	5,307,525	4,710,000	597,525
Interest and Fiscal Charges			597,525	(597,525)
Total Disbursements	<u>26,265,059</u>	<u>26,399,587</u>	<u>24,167,081</u>	<u>2,232,506</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,748,430)</u>	<u>(4,457,880)</u>	<u>(2,585,183)</u>	<u>1,872,697</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			11,918	11,918
Transfers Out	(3,167,500)	(3,168,500)	(3,164,000)	4,500
Total Other Financing Sources (Uses)	<u>(3,167,500)</u>	<u>(3,168,500)</u>	<u>(3,152,082)</u>	<u>16,418</u>
Net Change in Fund Balance	(7,915,930)	(7,626,380)	(5,737,265)	1,889,115
Unencumbered Fund Balance Beginning of Year	9,185,205	9,185,205	9,185,205	
Prior Year Encumbrances Appropriated	1,338,241	1,338,241	1,338,241	
Unencumbered Fund Balance End of Year	<u>\$2,607,516</u>	<u>\$2,897,066</u>	<u>\$4,786,181</u>	<u>\$1,889,115</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, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental Revenues	\$4,677,941	\$5,655,597	\$5,355,114	(\$300,483)
Licenses, Permits and Fees		3,000	1,200	(1,800)
Charges for Services	2,441,178	2,438,178	2,374,957	(63,221)
Miscellaneous			11,400	11,400
Total Receipts	<u>7,119,119</u>	<u>8,096,775</u>	<u>7,742,671</u>	<u>(354,104)</u>
Disbursements:				
Current:				
Public Health Services	8,901,950	10,095,548	9,710,790	384,758
Capital Outlay	55,971	45,555	43,252	2,303
Total Disbursements	<u>8,957,921</u>	<u>10,141,103</u>	<u>9,754,042</u>	<u>387,061</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,838,802)</u>	<u>(2,044,328)</u>	<u>(2,011,371)</u>	<u>32,957</u>
Other Financing Sources (Uses):				
Transfers In	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,200,000</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,200,000</u>	<u>(50,000)</u>
Net Change in Fund Balance	411,198	205,672	188,629	(17,043)
Unencumbered Fund Balance Beginning of Year	191,858	191,858	191,858	
Prior Year Encumbrances Appropriated	<u>214,052</u>	<u>214,052</u>	<u>214,052</u>	
Unencumbered Fund Balance End of Year	<u><u>\$817,108</u></u>	<u><u>\$611,582</u></u>	<u><u>\$594,539</u></u>	<u><u>(\$17,043)</u></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, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts:				
Intergovernmental Revenues	\$1,954,592	\$2,147,916	\$2,890,798	\$742,882
Licenses, Permits and Fees	96,899	96,899	135,439	38,540
Charges for Services	18,000	110,210	97,141	(13,069)
Miscellaneous			12,720	12,720
Total Receipts	<u>2,069,491</u>	<u>2,355,025</u>	<u>3,136,098</u>	<u>781,073</u>
Disbursements:				
Current:				
Public Health Services	2,502,438	2,453,555	2,554,496	(100,941)
Capital Outlay	103,845	147,013	207,545	(60,532)
Total Disbursements	<u>2,606,283</u>	<u>2,600,568</u>	<u>2,762,041</u>	<u>(161,473)</u>
Excess of Receipts Over (Under) Disbursements	<u>(536,792)</u>	<u>(245,543)</u>	<u>374,057</u>	<u>619,600</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			12,548	12,548
Transfers In	600,000	600,000	389,000	(211,000)
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>600,000</u>	<u>401,548</u>	<u>(198,452)</u>
Net Change in Fund Balance	63,208	354,457	775,605	421,148
Unencumbered Fund Balance Beginning of Year	277,873	277,873	277,873	
Prior Year Encumbrances Appropriated	<u>28,668</u>	<u>28,668</u>	<u>28,668</u>	
Unencumbered Fund Balance End of Year	<u>\$369,749</u>	<u>\$660,998</u>	<u>\$1,082,146</u>	<u>\$421,148</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, 2012**

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.

C. Public Entity Risk Pools

The PHDMC participates in 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. Note 8 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The PHDMC's basic financial statements consist of government-wide financial statements, including a Statement of Net Position 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 Position 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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position 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 all governmental functions of the PHDMC are 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.
- c. Air Pollution Fund** This fund encompasses the services provided for monitoring and controlling air pollution within Montgomery and surrounding counties.
- 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The PHDMC's financial statements are prepared using the cash basis of accounting. 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

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 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 for all funds. Individual grants are limited to their approved budget; the Board must approve any increase or decrease.

ORC Section 5705.28 (C) (1) requires the PHDMC 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 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. 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 amount reported as the final budgeted amounts represents the final appropriations passed by the Board of Health during the year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

J. Employer Contributions to Cost-Sharing Pension Plans

The PHDMC recognizes the disbursements 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 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 Position

Net position is reported as restricted when there are limitations imposed on assets' 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

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 is 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. 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.

Un-assigned - Un-assigned 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2012, the PHDMC implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the PHDMC's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

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 \$10,425,787. 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.

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 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 are 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	\$1,172,716
Major Special Revenue Funds:	
Federal Fund	773,068
Air Pollution Fund	35,486
Capital Fund	13,082
Other Governmental Funds	5,038
Total Encumbrances at December 31, 2012	\$1,999,390

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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, 2012.

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

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, 2012, 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 government.

C. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the PHDMC's share of these unpaid claims collectible in future years is approximately \$180,000.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
<u>\$195,455</u>	<u>\$179,584</u>

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.

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, 2012, 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.

F. 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 1st each year. Health insurance is provided through Anthem, with Medco as the pharmacy benefit manager. Employees have 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

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.

G. 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.

H. 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.

9. DEFINED BENEFIT 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. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. 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 Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

The 2012 member contribution rate was 10.00% of covered payroll for members in state and local classifications. The 2012 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, 2012, 2011, and 2010 were \$2,077,344, \$2,258,803, and \$2,417,493, respectively. The full amount has been contributed for each of these years.

10. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS administers three separate pension plans, as described in Note 09.

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 the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan 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>, 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% 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.

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 Retirement Board 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the retirees 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, 2012, 2011, and 2010 were \$593,497, \$645,340, and \$876,930, respectively; the full amount has been contributed for each of these years.

11. CONTRACTUAL OBLIGATION

Since 2001, the PHDMC has been 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 was \$8,040,000, with increasing payments scheduled through the year 2020. However, in 2012, the PHDMC paid off the total remaining balance of \$4,710,000.

12. LEASES

The PHDMC leases several sites for its operations. The PHDMC disbursed \$1,549,701 to pay lease costs for the year ended December 31, 2012. All leases include cancellation provisions. The largest lease is for the Reibold Building, at \$827,011 for the current year. The current lease expires December 31, 2013, and the agreement limits the annual increase to 5.0 percent per year.

13. 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>
Restricted for:						
Federal Fund Programs		\$1,367,606				\$ 1,367,606
Air Pollution Program			\$1,117,632			1,117,632
Total Restricted		<u>1,367,606</u>	<u>1,117,632</u>			<u>2,485,238</u>
Committed to:						
Capital Projects and Equipment				\$1,669,105		1,669,105
Food Service Program					\$312,547	312,547
Total Committed				<u>1,669,105</u>	<u>312,547</u>	<u>1,981,652</u>
Assigned to:						
Encumbrances - General Fund	\$1,172,716					1,172,716
Total Assigned	<u>1,172,716</u>					<u>1,172,716</u>
Unassigned (deficits)	4,786,181					4,786,181
Total Fund Balances	<u>\$5,958,897</u>	<u>\$1,367,606</u>	<u>\$1,117,632</u>	<u>\$1,669,105</u>	<u>\$312,547</u>	<u>\$10,425,787</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

14. INTERFUND TRANSFERS

During 2012 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	389,000	389,000	Air Pollution Fund
General Fund	275,000	275,000	Capital Fund
General Fund	300,000	300,000	Other (Food Service Fund)
Total	<u>\$3,164,000</u>	<u>\$3,164,000</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.

15. CONTRACTUAL COMMITMENTS

At December 31, 2012, the PHDMC had \$1,106,815 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:

<u>Vendor Name</u>	<u>Amount</u>
Hamilton County General Health District	\$ 350,404
Cirrus Concept Consulting Inc.	168,257
SHC Services Inc.	101,220
Dayton Children's Medical Center	81,444
Wright State Physicians Inc.	67,354
Wright State University	32,375
Ron Fayton	22,435
Montgomery County	21,336
AIDS Resource Center Ohio	19,224
Merchants Security Service	16,522
Taft Stettinius & Hollister LLP	14,055
E-clinical Works LLC	13,603
South Community Inc.	12,360
Global Environmental Services LLC	11,702
De Marchis Consultants	10,904
Riverside Computing	10,787
Progressive Services Inc.	9,310
William T. Burkhart	9,038
Sandra Kimball	8,920
Vocalink Inc.	8,740
Miami Valley Interpreters LLC	8,616
Nextel Communications	8,015
UniFirst Corporation	7,672
EBS Master LLC	7,347
Interpreters	6,220
Clemans Nelson & Associates Inc.	5,350
William Grant Starrett	5,251
Subtotal	<u>1,038,461</u>
Other Contracts (less than \$5,000 each)	<u>68,354</u>
Total	<u>\$1,106,815</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

16. 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.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	057-1-001-1-WA-05-12	10.557	\$1,490,174
	057-1-001-1-WA-06-13		442,237
Total Special Supplemental Nutrition Program for Women, Infants, and Children			<u>1,932,411</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Montgomery County</i>			
Lead-Based Paint Hazard Control in Privately-Owned Housing	OHLHB0448-09	14.900	72,438
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Direct Aid</i>			
Air Pollution Control Program Support	A-00526412	66.001	412,505
	A-00526413		113,779
Total Air Pollution Control Program Support			<u>526,284</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM-98577204	66.034	127,686
	PM-98577205		117,647
			<u>245,333</u>
<i>Passed Through Ohio Department of Health</i>			
State Indoor Radon Grants	057-1-001-2-IR-05-12	66.032	42,363
	057-1-001-2-IR-06-13		17,701
Total State Indoor Radon Grants			<u>60,064</u>
Total U.S. Environmental Protection Agency			<u>831,681</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Direct Aid</i>			
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - Financed solely by 2012 Prevention and Public Health Funds	1U58DP003707-01	93.531	170,934
<i>Passed Through Ohio Department of Health</i>			
Public Health Emergency Preparedness	057-1-001-2-PH-03-12	93.069	281,072
	057-1-001-2-PH-04-13		146,190
Total Public Health Emergency Preparedness			<u>427,262</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	057-1-002-2-TB-02-12		2,007
	057-1-002-2-TB-03-13		47,088
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs		93.116	<u>49,095</u>
Immunization Cooperative Agreements	057-1-001-2-IM-04-11	93.268	12,211
	057-1-001-2-IM-05-12		211,262
Total Immunization Cooperative Agreements			<u>223,473</u>
HIV Prevention Activities Health Department Based	057-1-001-2-HP-04-11	93.940	15,388
	057-1-001-2-HP-05-12		625,186
Total HIV Prevention Activities Health Department Based			<u>640,574</u>
Preventative Health Services Sexually Transmitted Diseases Control Grants	057-1-001-2-ST-04-12	93.977	370
	057-1-001-2-SD-01-12		231,974
Total Preventative Health Services Sexually Transmitted Diseases Control Grants			<u>232,344</u>
Preventative Health and Health Services Block Grant	057-1-001-4-IP-03-12	93.991	58,500
	057-1-001-4-CC-02-11		6,401
	057-1-001-4-CC-03-12		83,984
Total Preventative Health and Health Services Block Grant			<u>148,885</u>
Maternal and Child Health Services Block Grant to the States	057-1-001-1-MC-05-12	93.994	30,760
	057-1-001-1-MC-06-13		149,190
Total Maternal and Child Health Services Block Grant to the States			<u>179,950</u>

PUBLIC HEALTH - DAYTON & MONTGOMERY COUNTY
MONTGOMERY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<i>Passed through Wright State University</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	U79SP015042	93.243	12,443
	U79SP015042		1,691
	5H79T1018921-04		9,408
	1U79SP016434-01		12,489
	1U79SP016434-01		3,288
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			39,319
Total U.S. Department of Health and Human Services			2,111,836
TOTAL			\$4,948,366

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Public Health – Dayton & Montgomery County’s (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 PHDMC 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 Addition Services (CADAS) is a department of the PHDMC. CADAS receives Block Grants for Prevention and Treatment of Substance Abuse (SAPT) CFDA #93.959 from Montgomery County Alcohol Drug and Mental Health Services Board (ADAMHS) to provide prevention, education, and treatment services for alcohol and drug users.

Based on the agreement between ADAMHS and CADAS, SAPT monies disbursed by ADAMHS to CADAS are considered contractual and not pass through or sub-recipient. ADAMHS reports the SAPT monies on their Federal Awards Expenditures 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:

- Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)
- Air Pollution Control Program Support (CFDA #66.001)
- Public Health Emergency Preparedness (CFDA #93.069)
- HIV Prevention Activities – Health Department Based (CFDA #93.940)

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Health – Dayton & Montgomery County (the PHDMC), Montgomery County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the PHDMC's basic financial statements and have issued our report thereon dated September 6, 2013, wherein we noted the PHDMC uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the PHDMC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the PHDMC's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the PHDMC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the PHDMC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the PHDMC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

September 6, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Public Health – Dayton & Montgomery County's (the PHDMC) compliance with the applicable 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, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the PHDMC's major federal programs.

Management's Responsibility

The PHDMC's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the PHDMC's compliance for each of the PHDMC's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the PHDMC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the PHDMC's major programs. However, our audit does not provide a legal determination of the PHDMC's compliance.

Opinion on Each Major Federal Program

In our opinion, the Public Health – Dayton & Montgomery County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The PHDMC's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the PHDMC's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the PHDMC's internal control over compliance.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 6, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557) Public Health Emergency Preparedness (CFDA #93.069)
<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

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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
OCTOBER 3, 2013**