

**LUCAS COUNTY REGIONAL  
HEALTH DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Board Members  
Lucas County Regional Health District  
635 N. Erie Street  
Toledo, Ohio 43604

### **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 the Lucas County Regional Health District (the "District") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board Members  
Lucas County Regional Health District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund, and the Women Infants and Children Fund, and Environmental Fees Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

The District has kept its records and has prepared its financial statements for previous years on the regulatory basis prescribed or permitted by the Ohio Revised Code and Ohio Administrative Code, which is similar to the cash basis of accounting. As described in Note 3 to the financial statements, the District has adopted accounting principles generally accepted in the United States of America as of the beginning of the current year. Although appropriate adjustments have been made to net position and fund balances as of that date, it was not practicable to determine what adjustments would be necessary in the financial statements of the preceding year to retrospectively adjust results of changes in financial position to conform with the accounting principles used in the current year.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 15 and the supplemental pension disclosure information on pages 51 - 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board Members  
Lucas County Regional Health District

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 55 - 56 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, 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 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 District's internal control over financial reporting and compliance.



August 25, 2016

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The management discussion and analysis of the Lucas County Regional Health District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- In 2015, the District prepared, for the first time, financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Restatements necessary to implement this change in accounting principle are presented in Note 3.A. to the basic financial statements.
- For 2015, the total net position of the District decreased \$1,306,893, which represents a 105.43% decrease from December 31, 2014 (as restated - see Note 3.A).
- General revenues accounted for \$3,293,848 in revenue or 23.18% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$10,917,033 or 76.82% of total revenues of \$14,210,881.
- The District had \$15,517,774 in expenses related to governmental activities; \$10,917,033 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and allocations) of \$3,293,848 were not adequate to provide for these programs.
- The District's major funds are the General Fund, the Women, Infants and Children Fund (WIC), and the Environmental Fees Fund. The General Fund had \$5,985,856 in revenues and other financing uses and \$7,478,071 in expenditures. During 2015, the General Fund's fund balance decreased \$1,492,215 from \$3,678,658 (as restated - see Note 3.A) to \$2,186,443.
- The Women, Infants, and Children Fund (WIC), a District major fund, had \$2,262,297 in revenues and \$2,191,284 in expenditures. During 2015, the Women, Infants and Children Fund balance increased \$71,013 from a deficit balance of \$219,511 (as restated - see Note 3.A) to a deficit balance of \$148,498. WIC is the District's largest federal grant program, reimbursed for allowable expenditures after they are incurred.
- The Environmental Fees Fund, a District major fund, had \$1,683,668 in revenues and \$1,995,946 in expenditures. During 2015, the Environmental Fees Fund balance decreased \$312,278 from a balance of \$656,400 (as restated - see Note 3.A) to a balance of \$344,122.
- In 2015, the District expanded services and developed various evidence-based programs to address the issue of Ohio's exceedingly high infant mortality rate. For example, the federally funded Healthy Start initiative uses a community-driven, systems development approach to address infant mortality and improve the health and well-being of woman, infants, and their families. Upcoming evaluation of the updated programs should reveal progress. The District's Healthy Start fund is reported as a nonmajor governmental fund.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, nonfinancial information such as the reliance on certain resources for the operations and the need for continued growth will also need to be evaluated.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Women, Infants, and Children Fund, the Environmental Fees Fund.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains a multitude of individual governmental funds. The District has segregated these funds into major funds and nonmajor funds. The District's major governmental funds are the General Fund, the Women, Infants, and Children Fund, the Environmental Fees Fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 18-24 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. Agency funds are the District's only fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The basic fiduciary fund financial statement can be found on page 25 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-50 of this report.

***Required Supplementary Information (RSI)***

The RSI contains information regarding the District's proportionate share of the Ohio Public Employees Retirement System's (OPERS) net pension liability/net pension asset and the District's schedule of contributions to OPERS. The RSI can be found on pages 51-54 of this report.

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**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Government-wide Financial Analysis**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at December 31, 2015. This is the District's first year for government-wide financial statements using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

<b>Net Position</b>	<u>Governmental Activities</u> <u>2015</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 3,101,545
Capital assets, net	<u>218,468</u>
Total assets	<u>3,320,013</u>
<b><u>Deferred outflows of resources</u></b>	<u>1,227,870</u>
<b><u>Liabilities</u></b>	
Current liabilities	741,827
Long-term liabilities:	
Due within one year	503,131
Due in more than one year	<u>5,748,444</u>
Total liabilities	<u>6,993,402</u>
<b><u>Deferred inflows of resources</u></b>	<u>101,009</u>
<b><u>Net Position</u></b>	
Investment in capital assets	218,468
Restricted	90,944
Unrestricted (deficit)	<u>(2,855,940)</u>
Total net position (deficit)	<u>\$ (2,546,528)</u>

During 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension asset/liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows. As a result of implementing GASB 68, the District is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

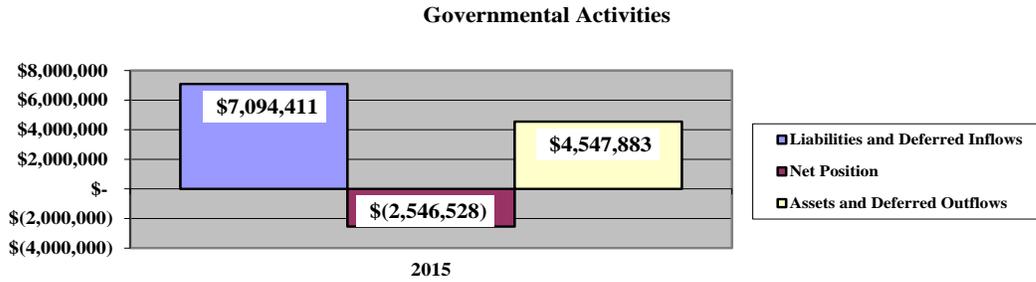
Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,546,528.

At year-end, capital assets represented 6.58% of total assets. Capital assets include furniture, fixtures and equipment, and vehicles. Capital assets at December 31, 2015 were \$218,468. These capital assets are used to provide services to citizens and are not available for future spending. A portion of the District's net position, \$90,944, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$2,855,940.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2015 for the governmental activities.



The table below shows the changes in net position for 2015. This is the District's first year for government-wide financial statements using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

	<u>Change in Net Position</u>
	Governmental Activities 2015
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 3,730,970
Operating grants and contributions	7,186,063
General revenues:	
Grants and entitlements	3,229,365
Gain on disposal of capital asset	1,010
Other	63,473
Total revenues	<u>14,210,881</u>
<b><u>Expenses</u></b>	
Program expenses:	
Administration	2,437,099
Environmental services	3,015,681
Community health services	3,078,842
Medical services	6,986,152
Total expenses	<u>15,517,774</u>
Change in net position	(1,306,893)
Net position (deficit)	
at beginning of year (restated)	<u>(1,239,635)</u>
Net position (deficit) at end of year	<u>\$ (2,546,528)</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Governmental Activities**

Governmental activities net position decreased \$1,306,893 in 2015.

Medical services accounted for \$6,986,152 of the total expenses of the District. Medical services relate to providing public health and direct patient care services to the community as a Federally Qualified Health Center (FQHC). Expenses were incurred for programs such as Family Practice, Pediatric and Prenatal clinics, full service Pharmacy, Laboratory, Optometry and Dental programs, and pediatric and adult immunizations. Expenses in the same category included refugee screenings, Women, Infants and Children (WIC), Child & Family Health Services (CFHS), Medicaid Administrative Claiming (MAC) and EHR (electronic health records). These expenses were partially funded by \$1,332,914 as direct charges to patients as users of the services and \$3,870,671 in operating grants and contributions.

Environmental services accounted for \$3,015,681 of the total expenses of the District. Environmental services relate to protecting and improving those environmental factors that can potentially affect health. Expenses include programs related to inspections of food service and food establishments, water quality, sewage treatment, campgrounds, swimming pools, daycares, tattoo parlors, and healthy homes and lead prevention. These expenses were partially funded by \$1,680,853 in direct charges for licenses and fees to users of the services and \$712,442 in operating grants and contributions.

Community health services accounted for \$3,078,842 of the total expenses of the District. Community health services relate to health promotions and disease prevention, and public health emergency preparedness. Expenses include programs related to emergency preparedness, HIV/AIDS programs, STD treatment and prevention, pregnancy prevention, tobacco prevention, senior programs, creating healthy communities, and minority health. These expenses were funded by \$717,203 in direct charges to patients as users of the services and \$2,491,135 in operating grants and contributions.

Administration of the District accounted for \$2,437,099 of the total expenses. Administration costs relate to the general operation of the District. Overhead expenses of operating the District include salaries of Health Commissioner, Medical Director, supervisory staff, accounting and grant department, providing information technology services, building maintenance, severance, and all related expenses for the Department of Vital Statistics. These expenses were partially funded by \$111,815 in operating grants and contributions.

General revenues totaled \$3,293,848 and amounted to 23.18% of total governmental revenues. These revenues primarily consist of contractual allocations from participating local governments. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues.

**Governmental Activities**

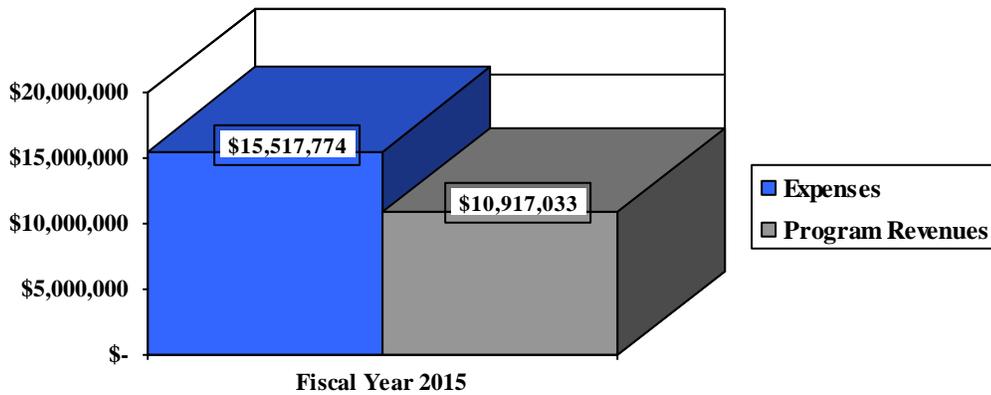
	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>
Program Expenses:		
Administration	\$ 2,437,099	\$ 2,325,284
Environmental services	3,015,681	622,386
Community health services	3,078,842	(129,496)
Medical services	<u>6,986,152</u>	<u>1,782,567</u>
Total	<u>\$ 15,517,774</u>	<u>\$ 4,600,741</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

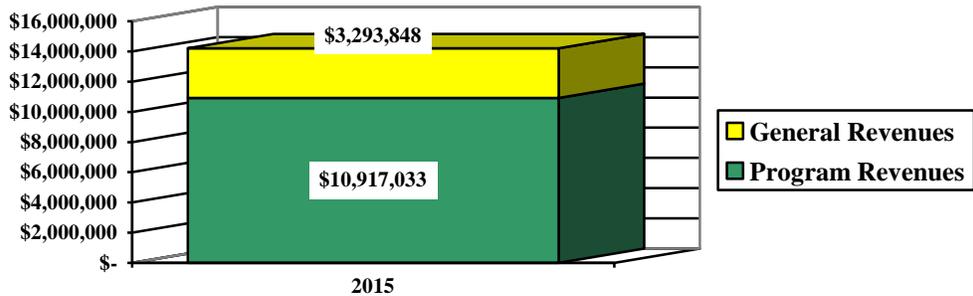
Program revenues supported 70.35% of total expenses. The dependence upon general revenues for governmental activities is apparent, with 29.65% of expenses needing support through contractual allocations from participating local governments and other general revenues. The graph below compares the District's program revenues and total expenses for 2015.

**Governmental Activities – Program Revenues vs. Total Expenses**



The graph below compares the District's general revenues and program revenues for fiscal year 2015.

**Governmental Activities – General and Program Revenues**



**Financial Analysis of the Government's Funds**

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

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

***Governmental Funds***

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at year-end.

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$2,230,365 which is \$1,576,837 less than last year's total of \$3,807,202 (as restated - see Note 3.A). The schedule below indicates the fund balances as of December 31, 2015 and 2014 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/15</u>	Restated Fund Balances <u>12/31/14</u>	Increase (Decrease)
Major Funds:			
General	\$ 2,186,443	\$ 3,678,658	\$ (1,492,215)
Women, Infants, and Children	(148,498)	(219,511)	71,013
Environmental Fees	344,122	656,400	(312,278)
Nonmajor Governmental	<u>(151,702)</u>	<u>(308,345)</u>	<u>156,643</u>
Total	<u>\$ 2,230,365</u>	<u>\$ 3,807,202</u>	<u>\$ (1,576,837)</u>

***General Fund***

For the tables below, since this is the District's first year for governmental fund financial statements using the modified accrual basis of accounting, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information will be available.

The District's General Fund balance decreased \$1,492,215. The table that follows assists in illustrating the revenues of the General Fund.

	2015 <u>Amount</u>
<b><u>Revenues</u></b>	
Charges for services	\$ 1,893,607
Licenses and permits	480
Intergovernmental	3,930,936
Contributions and donations	11,832
Grants non-governmental	84,692
Other	<u>63,299</u>
Total	<u>\$ 5,984,846</u>

Intergovernmental revenue represents 65.68% of all General Fund revenue and charges for services revenue represents 31.64% of total General Fund revenue. Intergovernmental revenue includes \$3,229,365 of contractual allocations from participating local governments.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

The table that follows assists in illustrating the expenditures of the General Fund.

	2015 <u>Amount</u>
<b><u>Expenditures</u></b>	
Administration	\$ 2,417,767
Environmental services	627,909
Community health services	676,826
Medical services	<u>3,755,569</u>
Total	<u>\$ 7,478,071</u>

Medical services and administration expenditures are the District's largest expenditures representing 50.22% and 32.33% of total General Fund expenditures, respectively.

***Women, Infants, and Children (WIC) Fund***

The Women, Infants, and Children Fund, a District major fund, had \$2,262,297 in revenues and \$2,191,284 in expenditures. During 2015, the Women, Infants, and Children Fund balance increased \$71,013 from a deficit balance of \$219,511 to a deficit balance of \$148,498.

***Environmental Fees Fund***

The Environmental Fees Fund, a District major fund, had \$1,683,668 in revenues and \$1,995,946 in expenditures. During 2015, the Environmental Fees Fund balance decreased \$312,278 from a fund balance of \$656,400 to a balance of \$344,122.

***Budgeting Highlights***

The District'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 2015, the District amended its General Fund budget. For the General Fund, original and final budgeted revenues and other financing sources were \$8,899,669 and \$6,971,430 respectfully. Actual revenues and other financing sources for 2015 were \$5,970,295. This represents a \$1,001,135 decrease from final budgeted revenues.

General Fund original appropriations and other financing uses totaled \$10,144,975 and final appropriations and other financing uses totaled \$10,883,150. The actual budget basis expenditures and other financing uses for 2015 totaled \$8,259,947, which was \$2,623,203 less than the final budget appropriations.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2015, the District had \$218,468 (net of accumulated depreciation) invested in furniture, fixtures and equipment, and vehicles. The following table shows 2015 balances compared to 2014:

**Capital Assets at December 31  
(Net of Depreciation)**

Vehicles	\$ 109,998	\$ 77,476
Furniture, fixtures, and equipment	<u>108,470</u>	<u>102,620</u>
Total	<u>\$ 218,468</u>	<u>\$ 180,096</u>

The increase in capital assets is the result of 2015 additions of \$82,759 exceeding 2015 depreciation expense of \$44,387.

See Note 6 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

The District had no debt obligations at December 31, 2015.

**Current Financial Related Activities**

In 2015, the District (aka Toledo Lucas County Health Department) continued the growth and improvement of the initiatives started the previous year. The District achieved growth with increased grants, but mostly through dedicated and efficient performances from staff. This was accomplished in spite of having the same contractual allocation from participating local governments as in 2003.

The District was proactive with planning and preparing for a possible 2015 algae event. It was fortunate that our community did not have to issue alerts that would've caused a "Do Not Drink" order. Until the issue of harmful algae is solved, the District is committed to preparing and responding to any future water issues.

The Opiate epidemic continues to be a threat to our community. The District diligently works with partnering agencies to eliminate this destructive addiction. The District's pharmacy was the first to supply Naloxone to police, fire, EMS, and the general public. If readily available, Naloxone can be lifesaving.

Perhaps one of major accomplishments of 2015 was achieving Federally Qualified Health Center (FQHC) status. Through hard work and dedication this was achieved. After many tumultuous years of trying to maintain consistent quality staff, at times without success, the District now has a full list of providers committed to make the clinic one of the best in the area. FQHC designation allows access to additional grant money, but more importantly, allows for "enhanced reimbursement" for services. The benefit of the FQHC status, is the ability to serve the medical needs for those who cannot access care.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2015**

The District expanded services and developed various evidence based programs to address the issue of Ohio's exceedingly high infant death rate. Upcoming evaluation of the updated program should reveal progress.

Environmental Health Division continues to ensure safe food through making certain all food operators were compliant with the rules in order to prevent foodborne disease outbreaks. The Rodent Control program continues to be extremely involved within the community. The Lead Prevention Program, funded through a grant, assists in funding risk assessments and the abatement of lead contaminated homes.

This past year also brought changes to our Well and Septic Programs. These changes were driven by the revamping of Ohio's Revised Code. Through slow and careful implementation, we've worked hard to ensure these programs are meeting or exceeding these new standards. The program is constantly being monitored and adjusted to offer the best product for Lucas County. The District received monies from the Environmental Protection Agency (EPA) to be used directly helping qualified households replace their failing septic system.

The District also remained very involved on planning committees that deal with mass disaster or terrorism threats. Our Environmental Health Division actively investigated a rare form of Legionella in a public building and an atypical form of TB in a local physician's office. Both of these investigations were handled effectively and the findings will be published in well-respected national journals.

2015 was not a year of public health disasters as was the year before, but a time to address all the core needs of Public Health. The District's staff remain one of the most dedicated and well trained group of people in their profession. It is their commitment to the Public Health needs of our community that's the driving force behind the District.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, donors, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Joanne Melamed, Chief Financial Officer, 635 N. Erie St., Toledo, Ohio 43604, email to [melamedj@co.lucas.oh.us](mailto:melamedj@co.lucas.oh.us) or by calling the District at (419) 213-4100.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	\$ 2,262,266
<b>Receivables:</b>	
Accounts . . . . .	266,897
Due from other governments . . . . .	422,637
Materials and supplies inventory . . . . .	110,449
Prepayments . . . . .	8,071
Net pension asset (see Note 11) . . . . .	31,225
<b>Capital assets:</b>	
Depreciable capital assets . . . . .	391,736
Accumulated depreciation . . . . .	(173,268)
Total capital assets, net. . . . .	218,468
 Total assets . . . . .	 3,320,013
 <b>Deferred outflows of resources:</b>	
Pension - OPERS . . . . .	1,227,870
 <b>Liabilities:</b>	
Accounts payable . . . . .	495,504
Accrued wages and benefits payable . . . . .	139,907
Due to other governments . . . . .	106,416
<b>Long-term liabilities:</b>	
Due within one year . . . . .	503,131
Due in more than one year:	
Net pension liability (see Note 11) . . . . .	5,207,267
Other amounts due in more than one year. . . . .	541,177
Total liabilities . . . . .	6,993,402
 <b>Deferred inflows of resources:</b>	
Pension - OPERS. . . . .	101,009
 <b>Net position:</b>	
Net Investment in capital assets. . . . .	218,468
<b>Restricted for:</b>	
Medicaid administrative claiming . . . . .	87,237
Other purposes. . . . .	3,707
Unrestricted (deficit) . . . . .	(2,855,940)
Total net position (deficit). . . . .	\$ (2,546,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LUCAS COUNTY REGIONAL HEALTH DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>				
Administration . . . . .	\$ 2,437,099	\$ -	\$ 111,815	\$ (2,325,284)
Environmental services . . . . .	3,015,681	1,680,853	712,442	(622,386)
Community health services . . . . .	3,078,842	717,203	2,491,135	129,496
Medical services . . . . .	6,986,152	1,332,914	3,870,671	(1,782,567)
Total governmental activities . . . . .	<u>\$ 15,517,774</u>	<u>\$ 3,730,970</u>	<u>\$ 7,186,063</u>	<u>(4,600,741)</u>
<b>General revenues:</b>				
Gain on disposal of capital assets . . . . .				1,010
Grants and entitlements not restricted to specific programs . . . . .				3,229,365
Miscellaneous . . . . .				63,473
Total general revenues . . . . .				<u>3,293,848</u>
Change in net position . . . . .				(1,306,893)
<b>Net position (deficit) at beginning of year (restated) .</b>				<u>(1,239,635)</u>
<b>Net position (deficit) at end of year . . . . .</b>				<u>\$ (2,546,528)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LUCAS COUNTY REGIONAL HEALTH DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Environmental Fees</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	\$ 1,811,602	\$ -	\$ 407,393	\$ 43,271	\$ 2,262,266
Receivables:					
Accounts . . . . .	246,190	-	9,722	10,985	266,897
Interfund loans . . . . .	260,972	-	-	-	260,972
Due from other governments . . . . .	53,458	70,000	1,625	297,554	422,637
Materials and supplies inventory . . . . .	110,449	-	-	-	110,449
Prepayments . . . . .	8,071	-	-	-	8,071
Total assets . . . . .	<u>\$ 2,490,742</u>	<u>\$ 70,000</u>	<u>\$ 418,740</u>	<u>\$ 351,810</u>	<u>\$ 3,331,292</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 164,877	\$ 128,271	\$ 39,738	\$ 162,618	\$ 495,504
Accrued wages and benefits payable . . . . .	78,715	11,427	16,940	32,825	139,907
Due to other governments . . . . .	59,737	8,369	16,315	21,995	106,416
Interfund loans payable . . . . .	-	70,431	-	190,541	260,972
Total liabilities . . . . .	<u>303,329</u>	<u>218,498</u>	<u>72,993</u>	<u>407,979</u>	<u>1,002,799</u>
<b>Deferred inflows of resources:</b>					
Miscellaneous revenue not available . . . . .	174	-	-	-	174
Intergovernmental revenue not available . . . . .	796	-	1,625	94,593	97,014
Non-governmental grant revenue not available . . . . .	-	-	-	940	940
Total deferred inflows of resources . . . . .	<u>970</u>	<u>-</u>	<u>1,625</u>	<u>95,533</u>	<u>98,128</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	118,520	-	-	-	118,520
Restricted . . . . .	1,059,348	-	-	24,123	1,083,471
Committed . . . . .	305,822	-	344,122	-	649,944
Assigned . . . . .	359,787	-	-	-	359,787
Unassigned (deficit) . . . . .	342,966	(148,498)	-	(175,825)	18,643
Total fund balances (deficit) . . . . .	<u>2,186,443</u>	<u>(148,498)</u>	<u>344,122</u>	<u>(151,702)</u>	<u>2,230,365</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 2,490,742</u>	<u>\$ 70,000</u>	<u>\$ 418,740</u>	<u>\$ 351,810</u>	<u>\$ 3,331,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015

<b>Total governmental fund balances</b>	\$	2,230,365
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		218,468
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the governmental funds.		
Accounts receivable	1,114	
Intergovernmental receivable	97,014	
Total	98,128	98,128
 The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows of resources - pension	1,227,870	
Deferred inflows of resources - pension	(101,009)	
Net pension asset	31,225	
Net pension liability	(5,207,267)	(4,049,181)
Compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,044,308)
<b>Net position (deficit) of governmental activities</b>	<b>\$</b>	<b>(2,546,528)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LUCAS COUNTY REGIONAL HEALTH DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Environmental Fees</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Charges for services . . . . .	1,893,607	-	211,492	167,687	2,272,786
Licenses and permits . . . . .	480	-	1,455,084	-	1,455,564
Fines and forfeitures . . . . .	-	-	10,074	-	10,074
Intergovernmental . . . . .	3,930,936	2,262,297	6,375	3,979,739	10,179,347
Contributions and donations . . . . .	11,832	-	-	-	11,832
Grants non-governmental . . . . .	84,692	-	-	85,020	169,712
Other . . . . .	63,299	-	643	-	63,942
Total revenues . . . . .	<u>5,984,846</u>	<u>2,262,297</u>	<u>1,683,668</u>	<u>4,232,446</u>	<u>14,163,257</u>
<b>Expenditures:</b>					
Administration . . . . .	2,417,767	-	-	36,165	2,453,932
Environmental services . . . . .	627,909	-	1,995,946	434,056	3,057,911
Community health services . . . . .	676,826	-	-	2,422,707	3,099,533
Medical services . . . . .	3,755,569	2,191,284	-	1,182,875	7,129,728
Total expenditures . . . . .	<u>7,478,071</u>	<u>2,191,284</u>	<u>1,995,946</u>	<u>4,075,803</u>	<u>15,741,104</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,493,225)</u>	<u>71,013</u>	<u>(312,278)</u>	<u>156,643</u>	<u>(1,577,847)</u>
<b>Other financing sources:</b>					
Sale of capital assets . . . . .	1,010	-	-	-	1,010
Net change in fund balances . . . . .	(1,492,215)	71,013	(312,278)	156,643	(1,576,837)
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>					
	<u>3,678,658</u>	<u>(219,511)</u>	<u>656,400</u>	<u>(308,345)</u>	<u>3,807,202</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 2,186,443</u>	<u>\$ (148,498)</u>	<u>\$ 344,122</u>	<u>\$ (151,702)</u>	<u>\$ 2,230,365</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	(1,576,837)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 82,759	
Current year depreciation	(44,387)	
Total		38,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Intergovernmental revenues	55,079	
Other	(8,465)	
Total		46,614
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(125,558)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		913,435
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(602,919)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(1,306,893)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	2,796,031	2,190,231	1,875,702	(314,529)
Licenses and permits . . . . .	716	560	480	(80)
Intergovernmental . . . . .	5,843,691	4,577,573	3,920,209	(657,364)
Contributions and donations . . . . .	17,637	13,816	11,832	(1,984)
Grants non-governmental . . . . .	126,247	98,894	84,692	(14,202)
Other . . . . .	19,119	14,977	12,826	(2,151)
<b>Total revenues . . . . .</b>	<u>8,803,441</u>	<u>6,896,051</u>	<u>5,905,741</u>	<u>(990,310)</u>
<b>Expenditures:</b>				
Administration . . . . .	2,874,498	3,139,567	2,763,449	376,118
Environmental services . . . . .	705,242	709,242	654,931	54,311
Community health services . . . . .	1,910,332	1,910,332	703,138	1,207,194
Medical services . . . . .	4,277,877	4,746,983	3,917,021	829,962
<b>Total expenditures . . . . .</b>	<u>9,767,949</u>	<u>10,506,124</u>	<u>8,038,539</u>	<u>2,467,585</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(964,508)</u>	<u>(3,610,073)</u>	<u>(2,132,798)</u>	<u>1,477,275</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	1,529	1,198	1,026	(172)
Advances in . . . . .	94,699	74,181	63,528	(10,653)
Advances (out) . . . . .	(377,026)	(377,026)	(221,408)	155,618
<b>Total other financing sources (uses) . . . . .</b>	<u>(280,798)</u>	<u>(301,647)</u>	<u>(156,854)</u>	<u>144,793</u>
Net change in fund balances . . . . .	(1,245,306)	(3,911,720)	(2,289,652)	1,622,068
<b>Fund balances at beginning of year . . . . .</b>	3,445,006	3,445,006	3,445,006	-
<b>Prior year encumbrances appropriated . . .</b>	245,306	245,306	245,306	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,445,006</u>	<u>\$ (221,408)</u>	<u>\$ 1,400,660</u>	<u>\$ 1,622,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 WOMEN, INFANTS AND CHILDREN FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 1,818,578	\$ 4,148,135	\$ 2,192,297	\$ (1,955,838)
<b>Expenditures:</b>				
Medical services . . . . .	<u>1,818,578</u>	<u>4,148,135</u>	<u>3,417,481</u>	<u>730,654</u>
Net change in fund balances . . . . .	-	-	(1,225,184)	(1,225,184)
<b>Fund balances at beginning of year . . . . .</b>	(1,190,221)	(1,190,221)	(1,190,221)	-
<b>Prior year encumbrances appropriated . . .</b>	<u>1,176,676</u>	<u>1,176,676</u>	<u>1,176,676</u>	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ (13,545)</u>	<u>\$ (13,545)</u>	<u>\$ (1,238,729)</u>	<u>\$ (1,225,184)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ENVIRONMENTAL FEES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services. . . . .	\$ 242,033	\$ 219,974	\$ 207,459	\$ (12,515)
Licenses and permits . . . . .	1,690,995	1,536,877	1,449,440	(87,437)
Fines and forfeitures . . . . .	11,752	10,682	10,074	(608)
Intergovernmental. . . . .	10,792	9,808	9,250	(558)
Other . . . . .	2,913	2,648	2,497	(151)
<b>Total revenues . . . . .</b>	<u>1,958,485</u>	<u>1,779,989</u>	<u>1,678,720</u>	<u>(101,269)</u>
<b>Expenditures:</b>				
Environmental services. . . . .	<u>2,501,954</u>	<u>2,501,954</u>	<u>2,061,801</u>	<u>440,153</u>
<b>Net change in fund balances . . . . .</b>	(543,469)	(721,965)	(383,081)	338,884
<b>Fund balances at beginning of year . . . . .</b>	678,496	678,496	678,496	-
<b>Prior year encumbrances appropriated . . . . .</b>	43,469	43,469	43,469	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 178,496</u>	<u>\$ -</u>	<u>\$ 338,884</u>	<u>\$ 338,884</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2015**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	<u>\$ 263,508</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	<u>\$ 263,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 - DESCRIPTION OF THE HEALTH DISTRICT AND REPORTING ENTITY**

The Lucas County Regional Health District (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a thirteen-member Board of Health made up of the following:

- Four members to be appointed by the Lucas County General Health District Advisory Council.
- Four members to be appointed by the Mayor of the City of Toledo.
- One member to be appointed by the Mayor of the City of Maumee.
- One member to be appointed by the Mayor of the City of Oregon.
- One member to be appointed by the Mayor of the City of Sylvania.
- One member to be appointed by the Mayor of the City of Waterville.
- One member to be appointed by the Health District Licensing Council.

The District is established under Ohio Revised Code § 3709.07, and each member serves a four-year term. The Lucas County Auditor is the fiscal agent responsible for fiscal control of the District's funds and financial report preparation. The District provides services for licensing of recreational vehicle parks; tattoo parlors; swimming pools; food services and vending machines; water wells; solid waste and sewage permits. Furthermore, the District provides public health and medical services; Women, Infants, and Children's Grant Program; Children Family Health Service Grant Program; Sixty Plus Program for the seniors; Healthy Start Initiative Program; school health nursing services; nutrition services; pediatric and adult immunizations; pediatric dental services; pediatric optometry services; pharmacy and lab services for the District's patients; ambulatory care services; and many other programs and public health initiatives important to our community.

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

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation and Measurement Focus**

The District'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.

***Government-wide Financial Statements*** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

The statement of net position presents the financial condition of the governmental activities for the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular program. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operation of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general receipts of the District.

*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. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The District 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. The funds of the District are presented in one category, governmental.

*Governmental Funds* - Governmental funds are those through which all governmental functions of the District are financed. Governmental fund reporting focuses on the sources, use and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance.

The following are the District's major governmental funds:

*General Fund* – This fund is used to account for and report all financial resources 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.

*Women, Infants, and Children (WIC) fund* – This fund accounts for grant monies that are restricted in use for the Special Supplement Nutrition Program, and referrals to health care for low income persons during critical periods of growth and development.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Environmental Fees Fund* – This fund accounts for licenses, permits and other fees that are committed for use for environmental health programs that address all the physical, chemical, and biological factors external to a person, and all the related factors impacting behaviors. It encompasses the assessment and control of those environmental factors that can potentially affect health. It is targeted toward preventing disease and creating health-supportive environments. The majority of revenue is generated by the food safety program, which provides assistance in all aspects of food safety to the food service industry and the general public in Lucas County. Licensing is provided to all food service operations (e.g., restaurants, vending machine locations, mobile and temporary food service operations). Other programs address private water systems (i.e. wells), and private sewage systems (tanks, septic).

Other governmental funds of the District are used to account for grants and other resources, whose use is restricted to a particular purpose.

*Fiduciary Funds* - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and agency funds. The District only maintains agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are primarily established to account for resources restricted by legally binding trust agreements and funds for which the District is acting in an agency capacity. The fiduciary fund receives money for the state portion of fees collected and timely remits them to the state.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

*Revenues-Exchange and Nonexchange Transactions* - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include intergovernmental contractual allocations from participating local governments, grants, entitlements, and donations. Revenue from intergovernmental contractual allocations, grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: grants and entitlements, licenses and permits; fines and forfeitures; and, charges for services.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following items related to the District's net pension asset/liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) differences between employer's contributions and the employer's proportional share of contributions, and (3) the District's contributions to the pension systems subsequent to the measurement date. The deferred outflows of resources related to pension are further explained in Note 11.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the differences between expected and actual experience. This deferred inflow of resources is only reported on the government-wide statement of net position. This deferred inflow of resources related to pension is further explained in Note 11.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows on the governmental fund financial statements.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**D. Budgetary Process**

The Ohio Revised Code requires that all funds, except agency funds, be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and amendments thereto. Unencumbered appropriations lapse at year end.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the District during the year.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources 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 District.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

**E. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which the service is consumed. Governmental fund balance has been presented as nonspendable equal to the balance of the prepaid item at year-end.

**F. Inventories of Materials and Supplies**

Inventory is valued at cost using the first-in, first-out method. Inventory is recorded as an expenditure/expense when consumed. Governmental fund balance has been presented as nonspendable equal to the balance of the inventory at year-end.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**G. Accounts Receivable**

Accounts receivables are stated at unpaid balances, less an allowance for doubtful accounts. The District provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the District's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**H. Cash and Investments**

The Lucas County Treasurer is the custodian for the District's cash. Lucas County's cash and investment pool holds the District's cash, which is reported at the County Treasurer's carrying amount. See Note 4 for more detail on the District's cash held by Lucas County as fiscal agent.

**I. Contractual Allocation Funding**

Annually, the District identifies the intergovernmental revenue amount. That amount is defined as the total District budget minus grant revenues (projected and actual), fee revenues, all other funding sources, and in-kind services provided by the Board of Commissioners and the City of Toledo. The resulting intergovernmental revenue portion of the District's budget is apportioned among the Cities, Townships and Villages based on an agreed percentage. The City of Toledo provides 69.25% of the total intergovernmental revenue; the Villages and Townships of Lucas County, through the District Advisory Council of the Lucas County General Health District provide 16.70% of the total intergovernmental revenue; the City of Oregon provides 4.30%, the City of Maumee provides 3.8%, the City of Sylvania provides 3.35%, the City of Waterville provides .85% of the total intergovernmental revenue; and the Board of Commissioners provides 1.75% of the total intergovernmental revenue. The parties agreed and authorized the Lucas County Auditor to deduct each parties' share of the intergovernmental directly from the real estate settlement. The amount of intergovernmental revenue received by the District is included on the financial statement.

**J. Capital Assets**

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are defined by the District as assets with initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Life</u>
Vehicles	7 - 10 years
Furniture, fixtures and equipment	5 - 10 years

**K. Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. The net position component “investment in capital assets” consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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. Net position restricted for other purposes are restricted by grantors and regulations of other governments.

**L. Interfund Transactions and Balances**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. On the fund financial statements, outstanding interfund loans are reported as “interfund receivables/payables”.

**M. Compensated Absences**

Vacation, personal and compensatory benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Ohio law requires that vacation time not be accumulated for more than three years plus current year accrual. Employees of the District immediately, at the time of employment, become vested in accumulated unpaid vacation time. Unused vacation is payable upon termination of employment. Unused sick time may be accumulated until retirement. Employee's eligible to retire or upon retirement under a District recognized retirement plan, with a minimum of ten years of service, are paid one-half of accumulated sick, not to exceed 640 hours of accumulated sick time. All sick, vacation, and personal and compensation payments are made at employees' current wage rates.

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as an obligation of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally due for payment during the current year.

**O. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the Board of Health (the highest level of decision making authority). 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 (ordinance) 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 District for specific purposes, but do not meet the criteria to be classified as restricted nor 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 policies of the Board of Health, which includes giving the Chief Financial Officer the authority to constrain monies for intended purposes.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**P. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

**R. Pensions**

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles and Other Accounting Changes**

For 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

For the fiscal year ended December 31, 2015, the District has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the District has (1) converted its governmental funds to the modified accrual basis of accounting and (2) converted its governmental activities to the accrual basis of accounting.

*Modified Accrual Basis Adjustments* – the conversion of the governmental funds from the cash-basis of accounting to the modified accrual basis of accounting required certain adjustments to be recorded at December 31, 2014 to the fund cash balances as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

The restatement to the December 31, 2014 fund cash balances for the governmental funds follows:

	Fund Cash Balance <u>December 31, 2014</u>	Modified Accrual Basis <u>Adjustments</u>	Restated Fund Balance <u>January 1, 2015</u>
Governmental fund:			
General fund	\$ 3,690,312	\$ (11,654)	\$ 3,678,658
WIC fund	-	(219,511)	(219,511)
Environmental fees fund	721,965	(65,565)	656,400
Nonmajor governmental funds	<u>-</u>	<u>(308,345)</u>	<u>(308,345)</u>
Total governmental funds	<u>\$ 4,412,277</u>	<u>\$ (605,075)</u>	<u>\$ 3,807,202</u>

Under GAAP, the District’s government-wide financial statements are prepared on the accrual basis of accounting. The government-wide financial statements show the District’s programs for governmental activities. The conversion of the governmental activities from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at December 31, 2014 to the net cash position as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

*Fiduciary Activities* - Agency funds do not report fund balances; therefore no transition is required to restate the beginning net cash position.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The restatement to the December 31, 2014 net cash position for the governmental activities follows:

	<u>Governmental Activities</u>
Net cash position, December 31, 2014	\$ 4,412,277
Modified accrual basis adjustments	(605,075)
Accrual basis adjustments:	
Net pension asset	8,510
Capital assets, net	180,096
Deferred outflows - pension	721,445
Deferred inflows - recognition of fund unavailable revenue	51,514
Compensated absences	(918,750)
Net pension liability	<u>(5,089,652)</u>
Restated net position, (deficit), January 1, 2015	<u><u>\$ (1,239,635)</u></u>

**B. Deficit Fund Balances**

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Immunization Action Plan	\$ 5,243
Dental Programs	1,292
Child and Family Health Services	35,969
HIV and STD Prevention Program	13,688
Lead Hazard Control Grant	8,494
Creating Healthy Communities	2,786
Healthy Start Initiative	50,372
Miscellaneous Grants	<u>57,981</u>
Total	<u><u>\$ 175,825</u></u>

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Upcoming Reporting Changes**

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application". The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016 year.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Authority to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the OPERS OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2018.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

As required by the Ohio Revised Code, the Lucas County Auditor is the fiscal agent of the District. The District's cash pool, used by all funds, is deposited with the Lucas County Treasurer. The cash pool is commingled with Lucas County's cash and investment pool and is not identifiable as to demand deposits or investments. All collections are remitted to the Lucas County Treasurer for deposit and all disbursements are made by warrants prepared by the Lucas County Auditor drawn on deposits held in the name of Lucas County. GASB 3 and GASB 40 requirements for the County of Lucas are presented in the December 31, 2015 Comprehensive Annual Financial Report. The fund balances are expressed in cash equivalents. Cash equivalents are available for immediate expenditure or liquid investments which are immediately marketable, have negligible credit risk, and mature within three months. The carrying amount of cash on deposit with the Lucas County Treasurer at December 31, 2015 was \$2,525,774.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2015 consisted of charges for services (primarily billings from clinic services) and intergovernmental receivables arising from grants. Receivables have been recorded to the extent that they are measurable at December 31, 2015. All receivables are expected to be collected in the subsequent year.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 5 - RECEIVABLES - (Continued)**

Amounts due from other governments consisted of the following at year end:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	School nursing grant	\$ 51,682
General	Child with medical handicapped grant	980
General	Pharmacy intergovernmental	796
		<u>53,458</u>
WIC	Grant - federal	<u>70,000</u>
Environmental Fees	Grants - state	<u>1,625</u>
Nonmajor Governmental	Grants - federal	251,275
Nonmajor Governmental	Grants - state	46,279
		<u>297,554</u>
	Total due from other governments	<u><u>\$ 422,637</u></u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance			Balance
<b><u>Governmental activities:</u></b>	<u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/15</u>
<i>Capital assets, being depreciated:</i>				
Vehicles	\$ 135,189	\$ 52,879	\$ (550)	\$ 187,518
Furniture, fixtures and equipment	<u>174,338</u>	<u>29,880</u>	<u>-</u>	<u>204,218</u>
Total capital assets, being depreciated	<u>309,527</u>	<u>82,759</u>	<u>(550)</u>	<u>391,736</u>
<i>Less: accumulated depreciation:</i>				
Vehicles	(57,713)	(20,357)	550	(77,520)
Furniture, fixtures and equipment	<u>(71,718)</u>	<u>(24,030)</u>	<u>-</u>	<u>(95,748)</u>
Total accumulated depreciation	<u>(129,431)</u>	<u>(44,387)</u>	<u>550</u>	<u>(173,268)</u>
Total capital assets being depreciated, net	<u>180,096</u>	<u>38,372</u>	<u>-</u>	<u>218,468</u>
Governmental activities capital assets, net	<u><u>\$ 180,096</u></u>	<u><u>\$ 38,372</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 218,468</u></u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 6 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental activities as follows:

**Governmental activities:**

Administration	<u>\$ 44,387</u>
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**NOTE 7 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during the year consisted of the following:

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 918,750	\$ 574,963	\$ (449,405)	\$ 1,044,308	\$ 503,131
Net pension liability	<u>5,089,652</u>	<u>117,615</u>	<u>-</u>	<u>5,207,267</u>	<u>-</u>
Total	<u>\$ 6,008,402</u>	<u>\$ 692,578</u>	<u>\$ (449,405)</u>	<u>\$ 6,251,575</u>	<u>\$ 503,131</u>

Compensated absences are paid from the fund from which the respective employees' salaries are paid. The District pays obligations related to employee compensation from the fund benefitting from their services. See Note 11 for further information.

**NOTE 8 - INTERFUND TRANSACTIONS**

**Interfund Loans Receivable/Payable**

The District had the following interfund loans receivable/payable at year-end:

	<u>Interfund Loan</u> <u>Receivable</u>
<u>Interfund Loan Payable:</u>	<u>General Fund</u>
Women, Infants, and Children Fund	\$ 70,431
Nonmajor Governmental Funds	<u>190,541</u>
Total	<u>\$ 260,972</u>

Interfund loans receivable/payable are reported to cover negative cash balances at year end. The interfund balances will be repaid once the anticipated revenue is received.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

The District also provides health insurance and dental and vision coverage to eligible employees through Lucas County by use of a private carrier. Settlements did not exceed insurance coverage in any of the past three years. There has been no significant change in coverage from last year.

**NOTE 10 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances (not already included in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 314,841
Women, Infants, and Children	1,040,027
Environmental Fees	30,747
Nonmajor Governmental	<u>1,893,596</u>
Total	<u>\$ 3,279,211</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability/Asset*

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description – District employees participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The District's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$913,435 for 2015. Of this amount, \$96,673 is reported as *due to other governments*.

***Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability or asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Following is information related to the proportionate share and pension expense:

		OPERS
Proportionate share of the net pension liability	\$	5,207,267
Proportionate share of the net pension asset		31,225
Proportion of the net pension liability		0.04317400%
Proportion of the net pension asset		0.08109900%
Pension expense	\$	602,919

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS
<b>Deferred outflows of resources</b>		
Net difference between projected and actual earnings on pension plan investments	\$	279,750
Difference between employer contributions and proportionate share of contributions		34,685
District contributions subsequent to the measurement date		913,435
Total deferred outflows of resources	\$	1,227,870
<b>Deferred inflows of resources</b>		
Differences between expected and actual experience	\$	101,009

\$913,435 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2016	\$ 42,599
2017	42,599
2018	64,421
2019	68,803
2020	(1,133)
Thereafter	(3,863)
Total	\$ 213,426

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the District's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the District's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 9,579,879	\$ 5,207,267	\$ 1,524,474
Combined Plan	\$ 4,055	\$ (31,225)	\$ (59,202)

**NOTE 12 - POSTRETIREMENT BENEFIT PLAN**

*Ohio Public Employees Retirement System*

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 12 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)**

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$152,239, \$114,731, and \$58,466, respectively; 90.93% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as *due to other governments* on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

All employees shall be entitled to sick leave in accordance with Sections 124.38 and 124.39 of the Ohio Revised Code as follows. Each employee shall be entitled to 4.615 hours of sick pay for each 80 hours of service completed. Upon retirement, an eligible employee shall be paid one-half of accrued, but unused sick leave credit up to a maximum of 80 days (640 hours).

District's employees are entitled to vacation leave, depending upon length of service. Accumulated, unused vacation leave is paid to employees upon termination of employment.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2015.

**B. Litigation**

The District is not currently involved in litigation for which the District's legal counsel anticipates a loss.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 15 - FUND BALANCE**

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

Fund balance	General Fund	Women, Infants, and Children Fund	Environmental Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 110,449	\$ -	\$ -	\$ -	\$ 110,449
Prepayments	8,071	-	-	-	8,071
Total nonspendable	<u>118,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,520</u>
Restricted:					
Clinical programs	994,040	-	-	3,707	997,747
Environmental programs	37,685	-	-	-	37,685
Community programs	27,623	-	-	20,416	48,039
Total restricted	<u>1,059,348</u>	<u>-</u>	<u>-</u>	<u>24,123</u>	<u>1,083,471</u>
Committed:					
Clinical programs	102,735	-	-	-	102,735
Environmental programs	203,087	-	344,122	-	547,209
Total committed	<u>305,822</u>	<u>-</u>	<u>344,122</u>	<u>-</u>	<u>649,944</u>
Assigned:					
Clinical programs	84,701	-	-	-	84,701
Environmental programs	7,302	-	-	-	7,302
Community health programs	3,215	-	-	-	3,215
Administration	264,569	-	-	-	264,569
Total assigned	<u>359,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,787</u>
Unassigned (deficit)	<u>342,966</u>	<u>(148,498)</u>	<u>-</u>	<u>(175,825)</u>	<u>18,643</u>
Total fund balances (deficit)	<u>\$ 2,186,443</u>	<u>\$ (148,498)</u>	<u>\$ 344,122</u>	<u>\$ (151,702)</u>	<u>\$ 2,230,365</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary basis) presented for the general and each major special revenue fund is presented in the basic financial statements to provide a meaningful comparison of actual results compared to budgeted. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and,
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and for the major special revenue funds.

	General Fund	Women, Infants, and Children Fund	Environmental Fees Fund
Budget basis	\$ (2,289,652)	\$ (1,225,184)	\$ (383,081)
Net adjustment for revenue accruals	79,105	70,000	4,948
Net adjustment for expenditure accruals	109,962	57,899	(2,654)
Net adjustment for other financing sources/(uses) accruals	157,864	-	-
Encumbrances	<u>450,506</u>	<u>1,168,298</u>	<u>68,509</u>
GAAP basis	<u>\$ (1,492,215)</u>	<u>\$ 71,013</u>	<u>\$ (312,278)</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

*SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION*

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*LAST TWO YEARS*

	<b>2014</b>	<b>2013</b>
<b><u>Traditional Plan:</u></b>		
District's proportion of the net pension liability. . . . .	0.043174%	0.043174%
District's proportionate share of the net pension liability. . . . .	\$ 5,207,267	\$ 5,089,652
District's covered-employee payroll. . . . .	\$ 5,715,592	\$ 5,121,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll. . . . .	91.11%	99.37%
Plan fiduciary net position as a percentage of the total pension liability. . . . .	86.45%	86.36%
 <b><u>Combined Plan:</u></b>		
District's proportion of the net pension asset. . . . .	0.081099%	0.081099%
District's proportionate share of the net pension asset. . . . .	\$ 31,225	\$ 8,510
District's covered-employee payroll. . . . .	\$ 296,450	\$ 243,415
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll. . . . .	10.53%	3.50%
Plan fiduciary net position as a percentage of the total pension asset. . . . .	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

*SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION*

*SCHEDULE OF DISTRICT CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*LAST SIX YEARS (1)*

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b><u>Traditional Plan:</u></b>				
Contractually required contribution . . . . .	\$ 879,034	\$ 685,871	\$ 665,858	\$ 521,711
Contributions in relation to the contractually required contribution . . . . .	(879,034)	(685,871)	(665,858)	(521,711)
Contribution deficiency (excess) . . . . .	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll . . . . .	\$ 7,325,283	\$ 5,715,592	\$ 5,121,985	\$ 5,217,110
Contributions as a percentage of covered-employee payroll . . . . .	12.00%	12.00%	13.00%	10.00%
<b><u>Combined Plan:</u></b>				
Contractually required contribution . . . . .	\$ 34,401	\$ 35,574	\$ 31,644	\$ 18,283
Contributions in relation to the contractually required contribution . . . . .	(34,401)	(35,574)	(31,644)	(18,283)
Contribution deficiency (excess) . . . . .	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll . . . . .	\$ 286,675	\$ 296,450	\$ 243,415	\$ 229,975
Contributions as a percentage of covered-employee payroll . . . . .	12.00%	12.00%	13.00%	7.95%

(1) Information prior to 2010 was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>
\$ 597,859	\$ 532,309
<u>(597,859)</u>	<u>(532,309)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 5,978,590	\$ 5,967,590
10.00%	8.92%
\$ 21,515	\$ 24,841
<u>(21,515)</u>	<u>(24,841)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 270,629	\$ 256,357
7.95%	9.69%

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015*

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title/Project Number	Federal CFDA Number	Pass Through Entity Number/ Contract Number	Passed Through to Subrecipients	Federal Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE (AG)</b> <i>Passed Through the Ohio Department of Health</i>				
Special Supplemental Nutrition Program for Women, Infants and Children (H24XX)	10.557	048-1-001-1-WA	1,211,986	<u>2,255,499</u>
Total United States Department of Agriculture				<u><b>2,255,499</b></u>
<b>UNITED STATES DEPARTMENT OF COMMERCE (COM)</b> <i>Passed Through Ohio Department of Natural Resources</i> <i>Passed Through Toledo Metropolitan Council of Governments</i>				
Coastal Zone Management Administration Awards (H5216)	11.419	NA14NOS4190072		<u>15,529</u>
Total United States Department of Commerce				<u><b>15,529</b></u>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>				
Lead-Based Paint Hazard Control In Privately-Owned Housing (H8715)	14.900	OHLHB0543-12	303,001	367,310
<i>Passed Through the City of Toledo</i>				
Community Development Block Grants/Entitlement Grants Rodent/Nuisance Control (H28XX)	14.218	n/a		<u>73,596</u>
Total United States Department of Housing and Urban Development				<u><b>440,906</b></u>
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)</b> <i>Passed Through Environmental Protection Agency of the State of Ohio</i>				
Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds (H0416)	66.458	HS391682-0001		<u>2,800</u>
Total Clean Water State Revolving Fund Cluster				<u>2,800</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>				
Health Center Cluster: Consolidated Health Centers (Fund 9027)	93.224	H80CS29022		<u>185,759</u>
Total Health Center Cluster				<u>185,759</u>
Healthy Start Initiative-Eliminating Racial/Ethnic Disparities (H9116,H92XX)	93.926	H49MC27825	305,844	757,197
<i>Passed Through the National Association of County &amp; City Health Officials</i>				
Medical Reserve Corps Units (H35XX)	93.008	1 HITEP150026-01-00		276
<i>Passed Through the Ohio Department of Aging</i> <i>Passed Through the Area Office on Aging of Northwest Ohio, Inc.</i>				
Special Programs for the Aging Title III, Part D -Disease Prevention and Health Promotion Services (H45XX)	93.043	n/a		29,596
<i>Passed Through Hospital Council of Northwest Ohio</i>				
Partnerships to Improve Community Health (H60XX, H62XX)	93.331	1U58DP005639-01		158,541
<i>Passed Through Ohio Department of Jobs and Family Services</i>				
Refugee Cash and Medical Assistance and Refugee Social Services (H63XX)	93.566	1601OHRMA		45,193
<i>Passed Through Ohio Health Information Partnership (OHIP)</i> <i>Passed Through Hospital Council of Northwest Ohio</i>				
Health Information Technology Regional Extension Centers Program (H81XX) ARRA	93.718	90RC0012/01		3,850

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title/Project Number	Federal CFDA Number	Pass Through Entity Number/ Contract Number	Passed Through to Subrecipients	Federal Expenditures
Medicaid Cluster:				
<b>Passed Through University of Toledo</b>				
<b>Passed Through Hospital Council of Northwest Ohio</b>				
Medical Assistance Program (H6416)	93.778	N-124571-01		6,131
<b>Passed Through the Ohio Department of Health</b>				
Medical Assistance Program, Medicaid Administrative Claiming (H8813)	93.778	1505OH5028 1505OH5048 1605OH5028 1605OH5048 1705OH5028 1705OH5048		273,594
Total Medicaid Cluster				<u>279,725</u>
<b>Passed Through the Ohio Department of Health</b>				
Public Health Emergency Preparedness Grants (H34XX, H6916)	93.069	048-1-001-2-PH		415,091
Public Health Emergency Ebola Supplement (H6916)	93.069	048-1-001-2-EB	45,562	<u>124,687</u>
Total Public Health Emergency				539,778
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements (H6815)	93.074	U90TP000541		3,117
Affordable Care Act (ACA) Personal Responsibility Education Program (H83XX)	93.092	048-1-001-1-PR	53,958	149,703
Immunization Grants (H05XX)	93.268	048-1-001-2-IM		161,571
CDC Investigations, Technical Assistance and Affordable Care Act Projects (H80XX)	93.283	5U58DP001983		17,822
National State Based Tobacco Control Programs (H8016)	93.305	1U58DP005979-01		695
HIV Prevention Activities Health Department Based (H37XX)	93.940	1U62PS003661-02	107,967	249,468
Preventative Health Services Sexually Transmitted Diseases Control Grant (H19XX)	93.977	PS14-1402		54,519
Preventative Health and Health Services Block Grant (H72XX)	93.991	048-1-001-4-CC		130,757
Maternal and Child Health Services Block Grant to the States (H14XX ; H16XX & H57XX)	93.994	048-1-001-1-DS B04MC26688 B04MC26688-01-02 6B04MC23401-01-01-04	169,211	248,230 71,250 5,000 <u>40,397</u>
Total Maternal and Child Health Services Block Grant to the States				364,877
Total United States Department of Health and Human Services				<u>3,132,444</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u>2,197,529</u>	<u>5,847,178</u>

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2015

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the Lucas County Regional Health District's (the Government's) federal award programs' disbursements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule has been prepared on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Government has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass Through Entity identifying numbers are presented where available.

**NOTE B - MATCHING REQUIREMENTS**

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

**INDEPENDENT AUDITOR’S 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 Members  
Lucas County Regional Health District  
635 N. Erie Street  
Toledo, Ohio 43604

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucas County Regional Health District (the “District”), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 25, 2016 in which we noted that the District changed its basis of accounting from the basis of accounting prescribed or permitted by the Ohio Revised Code and Ohio Administrative Code to accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Robert O'Brien". The signature is written in a cursive style with a prominent loop at the end.

August 25, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board Members  
Lucas County Regional Health District  
635 N. Erie Street  
Toledo, Ohio 43604

**Report on Compliance for Each Major Federal Program**

We have audited the Lucas County Regional Health District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. 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.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



August 25, 2016

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes        X   no

Significant deficiency(ies) identified not considered to be material weaknesses? \_\_\_\_\_yes        X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes        X   no

**Federal Awards**

Internal Control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_yes        X   no

Significant deficiency(ies) identified not considered to be material weaknesses? \_\_\_\_\_yes        X   none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_yes        X   no

**Identification of major federal programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.926	Healthy Start Initiative – Eliminating Racial/Ethnic Disparities
93.069	Public Health Emergency Preparedness Grants
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee? \_\_\_\_\_Yes        X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015**

NONE