

**LUCAS COUNTY REGIONAL  
HEALTH DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**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 combined statement of cash receipts, cash disbursements, and changes in fund cash balances – all governmental and fiduciary fund types of Lucas County Regional Health District (the "District") as of and for the year ended December 31, 2014, and the related notes to the financial statement.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). Management is also responsible for 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 an opinion 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 statement.

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

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statement is prepared by the District, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet these requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014, or changes in financial position thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined statement of cash receipts, cash disbursements, and changes in fund cash balances - all governmental and fiduciary fund types of the District as of and for the year ended December 31, 2014 in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, as described in Note 1.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statement that comprise the District's basic financial statement. The schedule of expenditures of federal awards on pages 16 - 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures including comparing and reconciling such information directly to

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the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 statement taken as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, 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 does not 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.

A handwritten signature in black ink, appearing to read "Wei Chen Lo". The signature is written in a cursive style with a horizontal line underneath.

May 28, 2015

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES –**  
**ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Fees - Medicaid	\$171,467	\$8,500		\$179,967
Fees - Medicaid Managed Care	\$895,087	\$98		\$895,185
Fees - Medicare	\$23,699	\$84		\$23,783
Fees - Miscellaneous Payor	\$4,045	\$20		\$4,065
Fees - Self Pay	\$222,909	\$6,803		\$229,712
Fees- Commercial Health Insurances	\$141,960			\$141,960
Plan Review		\$39,135		\$39,135
Inspection		\$21,378		\$21,378
Food Safety & Education		\$21,305		\$21,305
Fees - Vital Stats	\$571,894	\$10,555		\$582,449
Fees - Other Receipts	\$3,930	\$68,969		\$72,899
Sales - Personal Property	\$10,795			\$10,795
Vendors License		\$1,362,574		\$1,362,574
Permits	\$23,683	\$164,511		\$188,194
Fines		\$7,036		\$7,036
Grants	\$36,167			\$36,167
Grants-Federal		\$3,958,604		\$3,958,604
Grants-State		\$516,413		\$516,413
Grants-Local	\$112,917	\$11,112		\$124,029
Grants - Non-Governmental	\$63,206			\$63,206
Other - Intergovernmental Receipts	\$220,172			\$220,172
Contract Revenue - Reimbursements	\$3,579,832	\$4,875		\$3,584,707
Other Receipts	\$10,458	\$17		\$10,475
Operating Revenue - Miscellaneous	\$9,715		\$966,890	\$976,605
Total Cash Receipts	<u>\$6,101,936</u>	<u>\$6,201,989</u>	<u>\$966,890</u>	<u>\$13,270,815</u>
<b>Cash Disbursements:</b>				
Salaries	\$2,829,269	\$3,016,705		\$5,845,974
Opers	\$437,106	\$366,333		\$803,439
Fica	\$43,888	\$39,289		\$83,177
Unemployment Compensation	\$975			\$975
Worker's Compensation	\$13,164	\$11,483		\$24,647
Health Insurance	\$634,248	\$573,920		\$1,208,168
Tuition Reimbursement	\$5,269			\$5,269
Liability Insurance	\$60,129			\$60,129
Contract Services	\$968,986	\$2,025,335		\$2,994,321
Contract Repairs	\$76,987	\$120,410		\$197,397
Motor Vehicles	\$75,948	\$1,989		\$77,937
Supplies	\$94,289	\$99,908		\$194,197
Medical Supplies	\$376,614	\$30,245		\$406,859
Advertising and Printing	\$26,108	\$11,514		\$37,622
Refunds	\$1,794	\$3,715	\$188	\$5,697
Rent	\$1			\$1
Telecommunications	\$68,991	\$33,963		\$102,954
Training and Staff Development	\$57,118	\$85,052		\$142,170
Membership Dues	\$11,048	\$800		\$11,848
Utilities		\$3,279		\$3,279
Equipment less than \$5,000	\$71,991	\$70,759		\$142,750
Equipment greater than \$5000	\$25,138	\$129,018		\$154,156
Other Expense			\$1,100,921	\$1,100,921
Total Cash Disbursements	<u>\$5,879,061</u>	<u>\$6,623,717</u>	<u>\$1,101,109</u>	<u>\$13,603,887</u>
Total Cash Receipts Over (Under)				
Cash Disbursements	\$222,875	(\$421,728)	(\$134,219)	(\$333,072)

The accompanying notes are an integral part of this financial statement.

LUCAS COUNTY REGIONAL HEALTH DISTRICT  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES –  
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types		Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Agency	
<b>Other Financing Receipts (Uses):</b>				
Gifts and Donations	\$19,445			\$19,445
Transfers (In)		\$63,528		\$63,528
Transfers (Out)	(\$63,528)			(\$63,528)
Total Other Financing Receipts (Uses)	(\$44,083)	\$63,528	\$0	\$19,445
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over Cash Disbursements	\$178,792	(\$358,200)	(\$134,219)	(\$313,627)
Fund Cash Balances January 1	\$3,511,520	\$1,080,165	\$345,826	\$4,937,511
Fund Cash Balances, December 31				
Restricted	\$111,804			
Committed	\$575,179	\$721,965		
Assigned	\$552,786			
Unassigned	\$2,450,543			
<b>Fund Cash Balances, December 31</b>	<b>\$3,690,312</b>	<b>\$721,965</b>	<b>\$211,607</b>	<b>\$4,623,884</b>

The accompanying notes are an integral part of this financial statement.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the 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 Advisory Council 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 home health services; Women, Infants, and Children's Grant Program; Children Family Health Service Grant Program; Sixty Plus Nursing Assessment Program; school health nursing services; nutrition services; pediatric and adult immunizations; pediatric dental services; and ambulatory care services.

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

**B. Basis of Accounting**

The financial statement follows the basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.



**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Cash**

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

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those restricted by law or contract.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific revenue sources (other than from trusts or for capital projects) that are restricted or committed to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

*Women, Infants and Children (WIC) Fund* – This is a Federal grant fund used to account for the Special Supplement Nutrition Program, and referrals to health care for low-income persons during critical periods of growth and development.

*Child & Family Health Services (CFHS) Program Fund* – The Program is an organized community effort to eliminate health disparities, improve birth outcomes and improve the health status of women, infants and children in Ohio. CFHS includes the Community Health Assessment and Planning, Child Adolescent Health, Perinatal Health, Ohio Infant Mortality Reduction Initiative, and Ohio Institute for Equity in Birth Outcomes. The Program focuses on low-income women and children in socio-economic, racial and ethnic groups that are disproportionately affected by poor health in geographic areas and populations of highest need. The goals of the Program are: to assess and monitor maternal and child health status; inform and educate the public and families about maternal and child health issues; providing leadership to assure the health of women, children, youth and their families; link women, children and youth to services; assure access to health care; and evaluate the effectiveness, accessibility and quality of health care services. The goals of CFHS are accomplished by engaging in a focused, multidisciplinary, collaborative approach to health improvements. This is done in coordination with internal and external stakeholders that serve groups that are disproportionately affected by poor health outcomes. CFHS's funding sources include the Maternal and Child Health Block Grant (Title V) and State General Revenue Fund.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2. Special Revenue Funds, Continued**

*Public Health Emergency Preparedness Fund* – This fund is used to develop and maintain plans, procedures and policies for a response to a disaster event. The funding for the program is used to develop and implement consistent and timely tracking of infectious diseases as well as the possible use of biological/chemical or radiological agents. The fund provides for the Regional Coordinator of Northwest Ohio to operate coordination activities out of the Health District. Training, exercise, volunteer recruitment and response to disaster issues on a departmental wide scale are just some of the other services made possible by this fund.

*HUD, Lead Hazard Control and Healthy Homes Grant* – This is Federal grant funding from the U.S. Department of Housing and Urban Development, Office of Healthy Homes and Lead Hazard Control to conduct lead hazard control activities. Lead poisoning causes irreversible health effects without a cure. Children under age six are affected the most due to their rapidly growing bodies. Pregnant women are also at risk because lead ingested by mothers can be transmitted to the unborn fetus. Unfortunately housing-related health hazards are not found until after the illness develops. The funds provide complete lead-based paint hazard control to protect families, especially children under the age of six years and pregnant women from lead poisoning. In addition, Healthy Homes program promotes safe, healthy, sanitary and decent living conditions for families that prevent disease and injury to inhabitants.

*HIV Prevention Program* – This project is part of Ohio’s Comprehensive HIV Prevention Program funded through the Centers for Disease Control and Prevention. The goal of the program is to focus on HIV and sexually transmitted disease prevention in communities and local areas where HIV is most heavily concentrated to achieve the greatest impact in decreasing the risk of acquiring the disease. The District conducts testing and education within populations at increased risk for infection. Disease intervention specialists provide counseling and referrals for clients who test positive and ensure clients find and have access to medical care, and maintains strict confidentiality of all information.

*Medicaid Administrative Claiming (MAC) Grant* – This Program provides reimbursement to Local Health Departments for administrative activities that directly support efforts to identify and enroll eligible clients into Medicaid, to bring them services covered by Medicaid, to remove barriers to accessing Medicaid services and to reduce gaps in Medicaid services. The District shares a focus on improving access to health care for low income Ohioans. We know that a lack of health insurance, limited availability of providers, limited transportation, language barriers and the complex health care system pose challenges to many Ohioans. Through MAC the District is reimbursed, in part, for their efforts that assist low income Ohioans in enrolling in Medicaid and accessing appropriate Medicaid-covered services. MAC activities are: Medicaid outreach; facilitating Medicaid eligibility; referral, coordination and monitoring of Medicaid services; transportation and translation for Medicaid services; Medicaid related provider relations; and program planning, development and interagency coordination of medical

# LUCAS COUNTY REGIONAL HEALTH DISTRICT

## NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 2. Special Revenue Funds, Continued

services. By participating in the Program the District receives reimbursement for part of the costs related to MAC activities

*Dental Safety Net Care Grant and Dental Sealant Grant* – These Programs strive to reduce disparities in access to dental care by expanding the capacity of the dental care safety net to serve Ohioans who are unable to afford private dental care. The dental safety net includes dental clinics, school-based dental care and mobile/portable dental care programs. The grants provide funding for comprehensive (diagnostic, preventative and therapeutic) services for a significant number of Ohioans who would not otherwise receive care. Funding supports the cost of clinic operations. The Dental Sealant, a school-based dental Program developed in the 1970's, provides sealants to low-income children. It is targeted to schools with 40% or more of the enrolled students eligible for the state's Free and Reduced Meals Program. These schools have high percentage of children from low-income families and limited access to dental care. Dental sealants are applied to children's teeth and parents are notified when follow-up care is needed. Dental staff help families find follow-up care if needed. Students are rescreened the next school year to make sure that the sealants previously placed are intact and to place sealants on newly erupted teeth.

*Food Services Fund* - This fund receives money for food services licenses and permits.

#### 3. Fiduciary Funds

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the District is acting in an agency capacity. The District had the following significant Fiduciary Fund:

*State Remittance Fund* – This fund receives money for the state portion of fee collections.

### E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

#### 1. 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.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2. Estimated Resources**

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

**3. 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. A summary of 2014 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting. As of December 31, 2014, the accumulated leave totaled approximately \$311,000.

**H. 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 use of the resources in governmental funds. The classifications are as follows:

**Nonspendable** – The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

**Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District. The committed amounts cannot be used for any other purpose unless the District removed or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**H. Fund Balance, Continued**

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**2. EQUITY IN POOLED CASH**

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, 2014 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, 2014 was \$4,623,884.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,016,462	\$ 6,121,381	(\$1,895,081)
Special Revenue	7,148,034	6,265,517	( 882,517)
Total	\$15,164,496	\$12,386,898	(\$2,777,598)

2014 Appropriated vs. Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 8,283,304	\$ 6,124,369	\$2,158,935
Special Revenue	10,216,961	9,793,913	423,048
Total	\$18,500,265	\$15,918,282	\$2,581,983

**4. INTERGOVERNMENTAL FUNDING**

The County apportions the excess of the District’s appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. These amounts are included in contract revenue on the financial statement.

**5. RETIREMENT SYSTEM**

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

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

## LUCAS COUNTY REGIONAL HEALTH DISTRICT

### NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2014

#### 5. RETIREMENT SYSTEM, continued

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.00% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2% during the calendar year 2014. Effective January 1, 2015, the portion of employer contribution allocated to healthcare remains at 2% for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's contributions to OPERS for the years ending December 31, 2014, 2013, and 2012, were \$803,439, \$818,852, and \$791,031, respectively. The portion of employer contributions that were used to fund post-employment benefits was \$114,731. All required contributions were made prior to each of those fiscal year ends. Total required employer contributions for all plans are equal to 100% of employer charges and are extracted from the employer's records.

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care charges, OPERS expects to be able to consistently

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**5. RETIREMENT SYSTEM, continued**

allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**6. 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 full-time employees through Lucas County by use of a private carrier.

**7. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**8. FUND BALANCE**

Fund balances are 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 the resources in governmental funds.



**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**8. FUND BALANCE, continued**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>Fund Balance</b>	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
Restricted For:			
Clinical Programs	\$ 111,804		\$ 111,804
Committed For:			
Clinical Programs	\$ 575,179		\$ 575,179
Environmental		\$ 721,965	\$ 721,965
Assigned For:			
Administration and Clinical Programs	\$ 552,786		\$ 552,786
Unassigned for:			
Administration and Clinical Programs	\$ 2,450,543		\$ 2,450,543
<b>Total Fund Balance</b>	<b>\$ 3,690,312</b>	<b>\$ 721,965</b>	<b>\$ 4,412,277</b>

**9. COMMITMENTS**

The District has outstanding encumbrances totaling \$3,415,504 as of December 31, 2014.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING DECEMBER 31, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title/Project Number	Pass Through Entity Number/ Contract Number	Federal CFDA Number	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)	048-1-001-1-WA	10.557	<u>2,119,727</u>
Total United States Department of Agriculture			<u><b>2,119,727</b></u>
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>			
Lead-Based Paint Hazard Control In Privately-Owned Housing (H87XX)	OHLHB0543-12	14.900	529,378
<i>Passed Through the City of Toledo</i>			
Community Development Block Grants/Entitlement Grants Rodent/Nuisance Control (H28XX)	n/a	14.218	<u>120,225</u>
Total United States Department of Housing and Urban Development			<u><b>649,603</b></u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>			
Healthy Start Initiative-Eliminating Racial/Ethnic Disparities (H92XX)	H49MC27825	93.926	44,867
<i>Passed Through the National Association of County &amp; City Health Officials</i>			
Medical Reserve Corps Units (H35XX)	5MRCSG101055-03	93.008	2,323
Accreditation Support Initiative (H8914)	3U38OT000172-01S1	93.524	23,200
<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)	n/a	93.043	40,034
<i>Passed Through the Ohio Department of Health</i>			
Public Health Emergency Preparedness Grants (H34XX)	048-1-001-2-PH	93.074	357,893
Affordable Care Act (ACA) Personal Responsibility Education Program (H83XX)	048-1-001-1-PR	93.092	114,571
Immunization Grants (H05XX)	048-1-001-2-IM	93.268	127,354
CDC Investigations, Technical Assistance and Affordable Care Act Projects (H80XX)	048-1-001-4-TO	93.283	34,601
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance (H9014)	048-1-001-2-TS	93.539	15,600
Medical Assistance Program, Medicaid Administrative Claiming (H88XX)	ADMIN-20989-69T	93.778	216,083
HIV Prevention Activities Health Department Based (H37XX)	048-1-001-2-HP	93.940	221,917
Preventative Health Services Sexually Transmitted Diseases Control Grant (H19XX)	048-1-001-2-ST	93.977	43,393
Preventative Health and Health Services Block Grant (H72XX)	048-1-001-4-CC	93.991	111,326
Maternal and Child Health Services Block Grant to the States (H14XX ; H16XX & H57XX)	048-1-001-1-DS 048-1-001-1-MC 048-1-001-1-SC	93.994	361,927

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING DECEMBER 31, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title/Project Number	Pass Through Entity Number/ Contract Number	Federal CFDA Number	Federal Expenditures
<b>Passed Through the Ohio Department of Jobs and Family Services</b>			
Refugee Cash and Medical Assistance and Refugee Social Services (H63XX)	1301OHRCA	93.566	4,590
<b>Passed Through Ohio Health Information Partnership (OHIP)</b> <i>Passed Through the Hospital Council of Northwest Ohio</i>			
Health Information Technology Regional Extension Centers Program (H81XX) ARRA	90RC0012/01	93.718	<u>25,805</u>
Total United States Department of Health and Human Services			<b><u>1,745,484</u></b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>4,514,814</u></u></b>

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

**LUCAS COUNTY REGIONAL HEALTH DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the basis of accounting as described in Note 1 of the financial statement.

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C – SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, Lucas County Regional Health District provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	\$1,169,713
93.940	HIV Prevention Activities Health Department Based	\$ 83,676



**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 statement of the Lucas County Regional Health District (the "District"), as of and for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated May 28, 2015, wherein we noted the District followed financial reporting provisions permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

### **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 horizontal line underneath.

May 28, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

### **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



May 28, 2015



**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014**

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

**Financial Statements**

Type of auditor’s report issued:

Adverse: GAAP  
Unmodified: Regulatory Basis

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 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 programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?

\_\_\_\_\_yes        X   no

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants And Children (H24XX)
93.940	HIV Prevention Activities Health Department Based (H37XX)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low risk auditee?        X   Yes      \_\_\_\_\_ 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, 2014**

NONE