

**LUCAS COUNTY REGIONAL
HEALTH DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lucas County Regional Health District, Lucas County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lucas County Regional Health District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 12, 2017

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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, the business-type 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, 2016, 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and respective budgetary comparison for the General Fund, the Women Infants and Children Fund, the Public Health Emergency Preparedness Fund, and Environmental Fees Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 - 17 and the supplemental pension disclosure information on pages 63 - 66 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.

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 67 - 68 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 22, 2017, 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 22, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016. 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 2016 are as follows:

- During 2016, the District reclassified the Federally Qualified Health Center (FQHC) nonmajor governmental fund and various departments previously reported in the General Fund that support the FQHC program to a separate Federally Qualified Health Center enterprise fund. See Note 3.C for detail.
- For 2016, the total net position of the District decreased \$2,028,635, which represents an 79.66% decrease from December 31, 2015. Net position of governmental activities decreased \$1,264,884 and net position of business-type activities decreased \$763,751 from 2015 (as restated – see Note 3.C).
- General revenues accounted for \$2,431,598 in revenue or 19.86% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$9,809,125 or 80.14% of total governmental activities revenues of \$12,240,723.
- The District had \$13,505,607 in expenses related to governmental activities; \$9,809,125 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 \$2,431,598 were not adequate to provide for these programs.
- The District's major funds are the General Fund, the Women, Infants and Children Fund (WIC), the Public Health Emergency Preparedness Fund, and the Environmental Fees Fund. The General Fund had \$4,197,644 in revenues and other financing sources and \$4,448,093 in expenditures. During 2016, the General Fund's fund balance decreased \$250,449 from \$1,192,404 (as restated – see Note 3.C) to \$941,955.
- The WIC Fund, a District major fund, had \$2,243,909 in revenues and \$2,418,999 in expenditures. During 2016, the WIC Fund balance decreased \$175,090 from a deficit balance of \$148,498 to a deficit balance of \$323,588. WIC is the District's largest federal grant program, reimbursed for allowable expenditures after they are incurred.
- The Public Health Emergency Preparedness Fund, a District major fund, had \$548,594 in revenues and \$513,957 in expenditures. During 2016, the Emergency Preparedness Fund balance increased \$34,637 from \$3,442 to \$38,079.
- The Environmental Fees Fund, a District major fund, had \$1,694,306 in revenues and \$2,017,503 in expenditures. During 2016, the Environmental Fees Fund balance decreased \$323,197 from a balance of \$344,122 to a balance of \$20,925.
- Net position for the business-type activities, which is composed of the Federally Qualified Health Center Fund, decreased in 2016 by \$763,751 from a deficit balance of \$62,498 (as restated – see Note 3.C) to a deficit balance of \$826,249. During 2016, the Federally Qualified Health Center Fund had operating revenues of \$1,880,676, operating expenses of \$3,824,032, and \$1,179,605 in non-operating revenues consisting of grants and contributions and donations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including WIC, public health emergency preparedness, environmental fees, and general administration. These services are funded primarily by intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's Federally Qualified Health Center operations are reported here.

The District's government-wide statement of net position and statement of activities can be found on pages 18-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 analysis of the District's major governmental and proprietary funds begins on page 12.

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.

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 WIC Fund, the Public Health Emergency Preparedness Fund, and 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 21-30 of this report.

Proprietary Funds

The District maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its Federally Qualified Health Center operations. The District's enterprise fund is considered a major fund. The basic proprietary fund financial statements can be found on pages 31 through 33 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 34 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 35-62 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 63-66 of this report.

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, 2016 compared to 2015 (as restated – see Note 3.C).

	Net Position					
	<u>Governmental Activities</u>		<u>Buisness-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>Restated 2015</u>	<u>2016</u>	<u>Restated 2015</u>	<u>2016</u>	<u>Restated 2015</u>
<u>Assets</u>						
Current and other assets	\$ 1,344,289	\$ 2,002,331	\$ 723,291	\$ 1,099,214	\$ 2,067,580	\$ 3,101,545
Capital assets, net	<u>257,816</u>	<u>197,868</u>	<u>24,322</u>	<u>20,600</u>	<u>282,138</u>	<u>218,468</u>
Total assets	<u>1,602,105</u>	<u>2,200,199</u>	<u>747,613</u>	<u>1,119,814</u>	<u>2,349,718</u>	<u>3,320,013</u>
<u>Deferred outflows of resources</u>	<u>3,357,353</u>	<u>955,373</u>	<u>1,035,119</u>	<u>272,497</u>	<u>4,392,472</u>	<u>1,227,870</u>
<u>Liabilities</u>						
Current liabilities	696,532	648,085	94,299	93,742	790,831	741,827
Long-term liabilities:						
Due within one year	421,027	503,131	175,570	-	596,597	503,131
Due in more than one year	<u>7,434,625</u>	<u>4,409,794</u>	<u>2,290,957</u>	<u>1,338,650</u>	<u>9,725,582</u>	<u>5,748,444</u>
Total liabilities	<u>8,552,184</u>	<u>5,561,010</u>	<u>2,560,826</u>	<u>1,432,392</u>	<u>11,113,010</u>	<u>6,993,402</u>
<u>Deferred inflows of resources</u>	<u>156,188</u>	<u>78,592</u>	<u>48,155</u>	<u>22,417</u>	<u>204,343</u>	<u>101,009</u>
<u>Net Position</u>						
Net investment in capital assets	159,344	197,868	24,322	20,600	183,666	218,468
Restricted	98,665	90,944	-	-	98,665	90,944
Unrestricted (deficit)	<u>(4,006,923)</u>	<u>(2,772,842)</u>	<u>(850,571)</u>	<u>(83,098)</u>	<u>(4,857,494)</u>	<u>(2,855,940)</u>
Total net position (deficit)	<u>\$ (3,748,914)</u>	<u>\$ (2,484,030)</u>	<u>\$ (826,249)</u>	<u>\$ (62,498)</u>	<u>\$ (4,575,163)</u>	<u>\$ (2,546,528)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

The District has 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.

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. In addition, the District is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,575,163. At year-end, net position was a deficit balance of \$3,748,914 and \$826,249 for the governmental activities and the business-type activities, respectively.

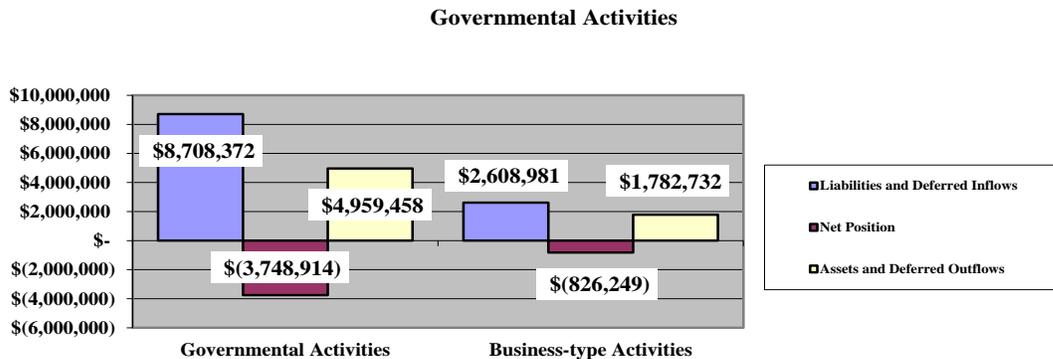
At year-end, capital assets represented 12.01% of total assets. Capital assets include furniture, fixtures and equipment, and vehicles. Net investment in capital assets at December 31, 2016 were \$159,344 and \$24,322 in the governmental activities and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. A portion of the District's net position, \$98,665, 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 \$4,857,494.

Current and other assets decreased 33.34% from the prior year due to a decrease in equity and pooled cash and cash equivalents with fiscal agent due to operations. The decrease in cash was partially offset by an increase in accounts receivable as more amounts were billed but outstanding at year-end.

Current liabilities increased 6.61% from the prior year primarily due to an increase in accounts payable at year-end. The District had more of its obligations outstanding by year-end than in the prior year resulting in an increase to the liability.

The District's net pension liability increased from the prior year. This increase was partially offset by an increase in deferred outflows related to pensions namely in the net difference between projected and actual earnings on pension plan investments. See Note 12 for more detail on the District's net pension liability and deferred inflows/outflows of resources related to pension.

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2016 for the governmental activities.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

The table below shows the comparative analysis of changes in net position for 2016 compared to 2015. Amounts for 2015 have been restated to reflect the fund reclassification described in Note 3.C.

	Change in Net Position					
	Governmental Activities		Buisness-type Activities			
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,325,650	\$ 2,227,611	\$ 1,880,676	\$ 1,503,359	\$ 4,206,326	\$ 3,730,970
Operating grants and contributions	7,483,475	7,185,745	1,179,605	1,351,798	8,663,080	8,537,543
General revenues:						
Grants and entitlements	2,421,049	1,877,885	-	-	2,421,049	1,877,885
Gain on disposal of capital asset	-	1,010	-	-	-	1,010
Other	10,549	58,974	-	4,499	10,549	63,473
Total revenues	<u>12,240,723</u>	<u>11,351,225</u>	<u>3,060,281</u>	<u>2,859,656</u>	<u>15,301,004</u>	<u>14,210,881</u>
Expenses						
Program expenses:						
Administration	2,374,410	2,389,973	-	-	2,374,410	2,389,973
Environmental services	3,807,016	3,015,681	-	-	3,807,016	3,015,681
Community health services	3,046,157	3,078,842	-	-	3,046,157	3,078,842
Medical services	4,275,731	3,744,319	-	-	4,275,731	3,744,319
Interest and fiscal charges	2,293	-	-	-	2,293	-
Federally Qualified Health Center	-	-	3,824,032	3,288,959	3,824,032	3,288,959
Total expenses	<u>13,505,607</u>	<u>12,228,815</u>	<u>3,824,032</u>	<u>3,288,959</u>	<u>17,329,639</u>	<u>15,517,774</u>
Change in net position	(1,264,884)	(877,590)	(763,751)	(429,303)	(2,028,635)	(1,306,893)
Net position (deficit)						
at beginning of year (restated)	(2,484,030)	N/A	(62,498)	N/A	(2,546,528)	N/A
Net position (deficit) at end of year	<u>\$ (3,748,914)</u>	<u>\$ (2,484,030)</u>	<u>\$ (826,249)</u>	<u>\$ (62,498)</u>	<u>\$ (4,575,163)</u>	<u>\$ (2,546,528)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Governmental Activities

Governmental activities net position decreased \$1,264,884 in 2016.

Medical services accounted for \$4,275,731 of the total expenses of the District. Medical services relate to providing public health and direct patient care services to the community. Expenses were incurred for programs such as Family Practice and Dental programs. 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). Medical services expense increased \$531,412 or 14.19% from 2015 primarily due to expense related to the Medicaid Administrative Claiming grant program. These expenses were partially funded by \$98,043 as direct charges to patients as users of the services and \$3,761,991 in operating grants and contributions. The Federally Qualified Health Center (FQHC) was previously a part of the medical services expense, but is now is reported as a business-type activity.

Environmental services accounted for \$3,807,016 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. Environmental services expense increased \$791,335 or 26.24% primarily due to expense related to the Lead Hazard Control program. These expenses were partially funded by \$1,614,000 in direct charges for licenses and fees to users of the services and \$1,312,454 in operating grants and contributions.

Community health services accounted for \$3,046,157 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. Community health services expense decreased \$32,685 or 1.06% primarily due to a decrease in spending on HIV and STD prevention programs. These expenses were funded by \$599,035 in direct charges to patients as users of the services and \$2,310,242 in operating grants and contributions.

Administration of the District accounted for \$2,374,410 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. Administration expenses remained consistent decreasing less than 1%. These expenses were partially funded by \$14,572 in direct charges to patients as users of the service and \$98,788 in operating grants and contributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

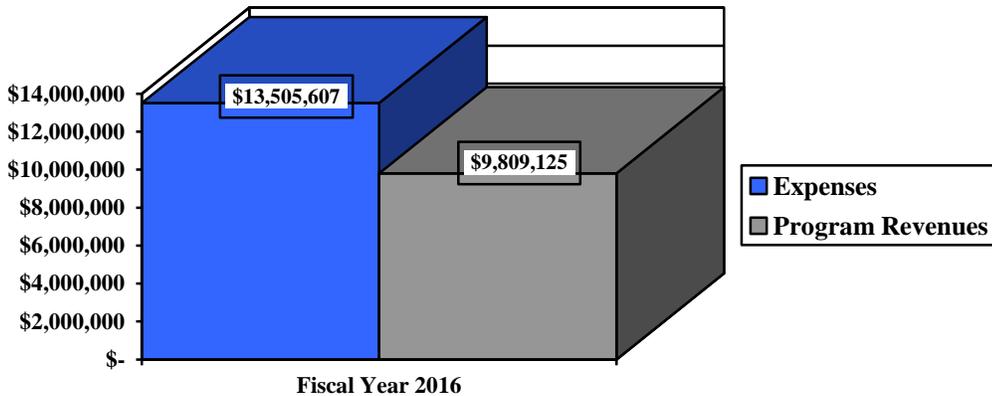
General revenues totaled \$2,431,598 and amounted to 19.86% of total governmental revenues. These revenues primarily consist of contractual allocations from participating local governments. The statement of activities shows the cost of program services and the charges for services and grants offsetting 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. Amounts for 2015 have been restated to reflect the fund reclassification described in Note 3.C.

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Restated Total Cost of Services 2015	Restated Net Cost of Services 2015
Program Expenses:				
Administration	\$ 2,374,410	\$ 2,261,050	\$ 2,389,973	\$ 2,278,158
Environmental services	3,807,016	880,562	3,015,681	622,386
Community health services	3,046,157	136,880	3,078,842	(129,496)
Medical services	4,275,731	415,697	3,744,319	44,411
Interest and fiscal charges	<u>2,293</u>	<u>2,293</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,505,607</u>	<u>\$ 3,696,482</u>	<u>\$ 12,228,815</u>	<u>\$ 2,815,459</u>

Program revenues supported 72.63% of total expenses. General revenues for governmental activities is not sufficient to cover the remaining expenses, with 27.37% of expenses needing support through contractual allocations from participating local governments and other general revenues. The graph below compares the District's governmental activities program revenues and total expenses for 2016.

Governmental Activities – Program Revenues vs. Total Expenses

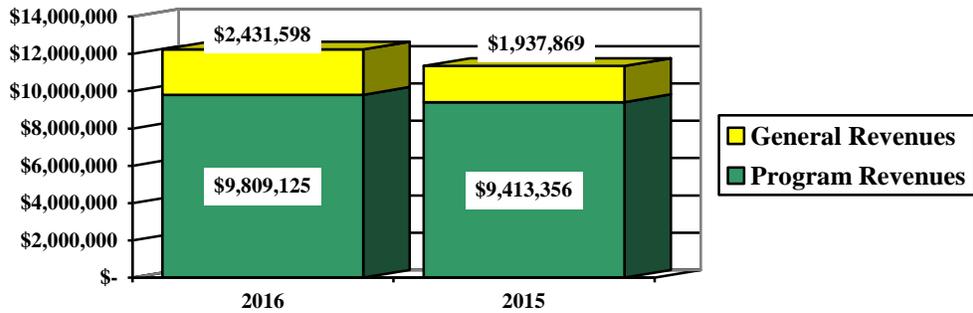


**LUCAS COUNTY REGIONAL HEALTH DISTRICT
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

The graph below compares the District's governmental activities general revenues and program revenues for fiscal year 2016.

Governmental Activities – General and Program Revenues

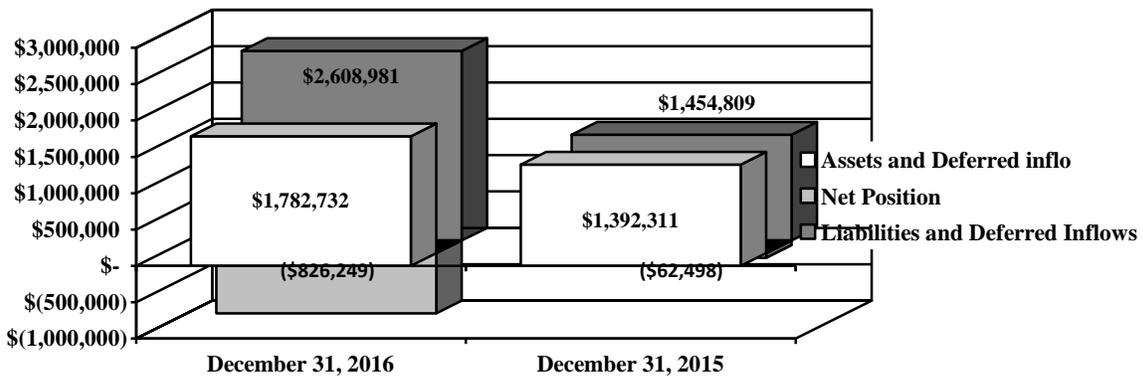


Business-type Activities

Business-type activities only include operations of the Federally Qualified Health Center. This program had program revenues of \$3,060,281 and expenses of \$3,824,032 for 2016.

The graph below shows the business-type activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end.

Net Position in Business – Type Activities



Expenses of the business-type activities were \$3,824,032 for 2016. Charges for services revenue accounted for 61.45% of total revenues for business-type activities. Operating grants and contributions accounted for the remaining 38.55% of total business-type revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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 21-22) reported a combined fund balance of \$493,019 which is \$739,600 less than last year's total of \$1,232,619 (as restated - see Note 3.C). The schedule below indicates the fund balances as of December 31, 2016 and 2015 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/16</u>	Restated Fund Balances (Deficit) <u>12/31/15</u>	Increase (Decrease) <u></u>
Major Funds:			
General	\$ 941,955	\$ 1,192,404	\$ (250,449)
WIC	(323,588)	(148,498)	(175,090)
Public Health Emergency Preparedness	38,079	3,442	34,637
Environmental Fees	20,925	344,122	(323,197)
Nonmajor Governmental	<u>(184,352)</u>	<u>(158,851)</u>	<u>(25,501)</u>
Total	<u>\$ 493,019</u>	<u>\$ 1,232,619</u>	<u>\$ (739,600)</u>

General Fund

The District's General Fund balance decreased \$250,449 from 2015 (as restated – see Note 3.C). The table that follows assists in illustrating the revenues of the General Fund.

	2016 Amount	2015 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Charges for services	\$ 723,830	\$ 567,902	\$ 155,928	27.46 %
Licenses and permits	480	480	-	-
Intergovernmental	3,338,075	2,824,834	513,241	18.17 %
Contributions and donations	14,321	11,514	2,807	24.38 %
Grants non-governmental	-	18,850	(18,850)	(100.00) %
Other	<u>10,549</u>	<u>9,381</u>	<u>1,168</u>	<u>12.45 %</u>
Total	<u>\$ 4,087,255</u>	<u>\$ 3,432,961</u>	<u>\$ 654,294</u>	<u>19.06 %</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Overall, revenue increased 19.06% from the prior year. Intergovernmental revenue increased 18.17% due to increased receipts from the Health Department's contractual allocation. Charges for services revenue increased 27.46% due to an increase in administrative and Vital Statistics fees received. Contributions and donations revenue increased 24.38% due to a golf outing put on by the Healthy Homes program to raise money for lead awareness.

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Current:				
Administration	\$ 2,386,342	\$ 2,395,728	\$ (9,386)	(0.39) %
Environmental services	509,346	627,909	(118,563)	(18.88) %
Community health services	628,569	676,826	(48,257)	(7.13) %
Medical services	909,626	674,407	235,219	34.88 %
Debt service:				
Principal retirement	11,917	-	11,917	100.00 %
Interest and fiscal charges	2,293	-	2,293	100.00 %
Total	<u>\$ 4,448,093</u>	<u>\$ 4,374,870</u>	<u>\$ 73,223</u>	<u>1.67 %</u>

Overall, expense remained comparable to the prior year, increasing 1.67%. Medical services expense increased \$235,219, or 34.88% as a result of increased costs for providing medical services and nurses for local schools. Environmental services decreased \$118,563, or 18.88% from the prior year, due to decreased costs associated with the environmental health programs department. The District entered into a capital lease in 2016, resulting in debt service expense.

The General Fund also recognized \$110,389 of proceeds for a copier capital lease.

WIC Fund

The WIC Fund, a District major fund, had \$2,243,909 in revenues and \$2,418,999 in expenditures. During 2016, the WIC Fund balance decreased \$175,090 from a deficit balance of \$148,498 to a deficit balance of \$323,588.

Public Health Emergency Preparedness Fund

The Public Health Emergency Preparedness Fund, a District major fund, had \$548,594 in revenues and \$513,957 in expenditures. During 2016, the Public Health Emergency Preparedness Fund balance increased \$34,637 from a balance of \$3,442 to a balance of \$38,079.

Environmental Fees Fund

The Environmental Fees Fund, a District major fund, had \$1,694,306 in revenues and \$2,017,503 in expenditures. During 2016, the Environmental Fees Fund balance decreased \$323,197 from a fund balance of \$344,122 to a balance of \$20,925.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016, the District amended its General Fund budget. For the General Fund, original and final budgeted revenues and other financing sources were \$5,689,156 and \$5,080,256, respectfully. Actual revenues and other financing sources for 2016 were \$5,441,868. This represents a \$361,612 increase from final budgeted revenues.

General Fund original appropriations and other financing uses totaled \$6,235,702 and final appropriations and other financing uses totaled \$5,951,862. The actual budget basis expenditures and other financing uses for 2016 totaled \$6,565,326, which was \$613,464 more than the final budget appropriations.

Proprietary Funds

The District's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the District had \$282,138 (net of accumulated depreciation) invested in furniture, fixtures and equipment, and vehicles. Of this total, \$257,816 was reported in the governmental activities and \$24,322 was reported in business-type activities. The following table shows 2016 balances compared to 2015:

	Capital Assets at December 31 (Net of Depreciation)			
	Governmental Activities		Business-type Activities	
	2016	Restated 2015	2016	Restated 2015
Furniture, fixtures and equipment	\$ 171,952	\$ 87,870	\$ 24,322	\$ 20,600
Vehicles	85,864	109,998	-	-
Total	\$ 257,816	\$ 197,868	\$ 24,322	\$ 20,600

The increase in capital assets is the result of 2016 additions of \$124,945 exceeding 2016 depreciation expense of \$61,275 government-wide.

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

Debt Administration

The District had \$98,472 for a copier capital lease obligation at December 31, 2016 in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Current Financial Related Activities

In 2016, the District (aka Toledo Lucas County Health Department) continued the growth and improvement of the initiatives from 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 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 2016 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.

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.

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 District'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 Eric Zgodzinski, Health Commissioner, 635 N. Erie St., Toledo, Ohio 43604, or by calling the District at (419) 213-4100.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents			
with fiscal agent	\$ 300,795	\$ 265,335	\$ 566,130
Receivables:			
Accounts.	47,140	316,707	363,847
Due from other governments.	941,843	3,561	945,404
Materials and supplies inventory.	-	123,244	123,244
Prepayments	7,663	-	7,663
Net pension asset (see Note 12)	46,848	14,444	61,292
Capital assets:			
Depreciable capital assets, net.	257,816	24,322	282,138
Total assets	1,602,105	747,613	2,349,718
Deferred outflows of resources:			
Pension - OPERS (see Note 12)	3,357,353	1,035,119	4,392,472
Liabilities:			
Accounts payable.	509,190	26,286	535,476
Accrued wages and benefits payable	111,934	41,299	153,233
Due to other governments	75,408	26,714	102,122
Long-term liabilities:			
Due within one year	421,027	175,570	596,597
Due in more than one year			
Net pension liability (see Note 12)	6,981,519	2,152,501	9,134,020
Other amounts due in more than one year.	453,106	138,456	591,562
Total liabilities	8,552,184	2,560,826	11,113,010
Deferred inflows of resources:			
Pension - OPERS (see Note 12).	156,188	48,155	204,343
Net position:			
Net investment in capital assets.	159,344	24,322	183,666
Restricted for:			
Medicaid administrative claiming	98,665	-	98,665
Unrestricted (deficit)	(4,006,923)	(850,571)	(4,857,494)
Total net position (deficit).	\$ (3,748,914)	\$ (826,249)	\$ (4,575,163)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Revenues		
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:			
Administration	\$ 2,374,410	\$ 14,572	\$ 98,788
Environmental Public Health	3,807,016	1,614,000	1,312,454
Community Public Health	3,046,157	599,035	2,310,242
Medical Health Services	4,275,731	98,043	3,761,991
Interest and fiscal charges.	2,293	-	-
Total governmental activities	13,505,607	2,325,650	7,483,475
Business-type activities:			
Federally Qualified Health Center.	3,824,032	1,880,676	1,179,605
Totals	\$ 17,329,639	\$ 4,206,326	\$ 8,663,080
 General revenues:			
Grants and entitlements not restricted to specific programs			
Miscellaneous			
Total general revenues			
Change in net position			
Net position (deficit) at beginning of year (restated)			
Net position (deficit) at end of year			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,261,050)	\$ -	\$ (2,261,050)
(880,562)	-	(880,562)
(136,880)	-	(136,880)
(415,697)	-	(415,697)
(2,293)	-	(2,293)
<u>(3,696,482)</u>	<u>-</u>	<u>(3,696,482)</u>
-	(763,751)	(763,751)
<u>(3,696,482)</u>	<u>(763,751)</u>	<u>(4,460,233)</u>
2,421,049	-	2,421,049
10,549	-	10,549
<u>2,431,598</u>	<u>-</u>	<u>2,431,598</u>
(1,264,884)	(763,751)	(2,028,635)
<u>(2,484,030)</u>	<u>(62,498)</u>	<u>(2,546,528)</u>
<u>\$ (3,748,914)</u>	<u>\$ (826,249)</u>	<u>\$ (4,575,163)</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Public Health Emergency Preparedness</u>	<u>Environmental Fees</u>
Assets:				
Equity in pooled cash and cash equivalents				
with fiscal agent	\$ 247,549	\$ -	\$ -	\$ 50,518
Receivables:				
Accounts	12,011	-	-	26,768
Interfund loans	773,174	-	-	-
Due from other governments	-	297,642	259,345	-
Prepayments	7,663	-	-	-
Total assets	<u>\$ 1,040,397</u>	<u>\$ 297,642</u>	<u>\$ 259,345</u>	<u>\$ 77,286</u>
Liabilities:				
Accounts payable	\$ 28,342	\$ 299,179	\$ 5,553	\$ 6,526
Accrued wages and benefits payable	42,620	13,932	4,847	22,984
Due to other governments	27,480	9,301	3,305	19,481
Interfund loans payable	-	298,818	207,561	-
Total liabilities	<u>98,442</u>	<u>621,230</u>	<u>221,266</u>	<u>48,991</u>
Deferred inflows of resources:				
Intergovernmental revenue not available	-	-	-	-
Miscellaneous revenue not available	-	-	-	7,370
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,370</u>
Fund balances:				
Nonspendable	7,663	-	-	-
Restricted	-	-	38,079	20,925
Committed	10,663	-	-	-
Assigned	81,064	-	-	-
Unassigned (deficit)	842,565	(323,588)	-	-
Total fund balances (deficit)	<u>941,955</u>	<u>(323,588)</u>	<u>38,079</u>	<u>20,925</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,040,397</u>	<u>\$ 297,642</u>	<u>\$ 259,345</u>	<u>\$ 77,286</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 2,728	\$ 300,795
8,361	47,140
-	773,174
384,856	941,843
-	7,663
<u>\$ 395,945</u>	<u>\$ 2,070,615</u>
\$ 169,590	\$ 509,190
27,551	111,934
15,841	75,408
266,795	773,174
- <u>479,777</u>	<u>1,469,706</u>
100,520	100,520
-	7,370
- <u>100,520</u>	<u>107,890</u>
-	7,663
40,372	99,376
-	10,663
-	81,064
<u>(224,724)</u>	<u>294,253</u>
<u>(184,352)</u>	<u>493,019</u>
<u>\$ 395,945</u>	<u>\$ 2,070,615</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances	\$	493,019
<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.		257,816
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Accounts receivable	\$ 7,370	
Intergovernmental receivable	100,520	
Total	107,890	107,890
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	3,357,353	
Deferred inflows of resources - pension	(156,188)	
Net pension asset	46,848	
Net Pension liability	(6,981,519)	
Total	(3,733,506)	(3,733,506)
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(775,661)	
Capital lease payable	(98,472)	
Total	(874,133)	(874,133)
Net position (deficit) of governmental activities	\$	(3,748,914)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Public Health Emergency Preparedness</u>	<u>Environmental Fees</u>
Revenues:				
Charges for services	\$ 723,830	\$ -	\$ -	\$ 290,949
Licenses and permits	480	-	-	1,300,922
Intergovernmental	3,338,075	2,243,909	548,594	101,625
Contributions and donations	14,321	-	-	-
Grants non-governmental	-	-	-	-
Other	10,549	-	-	810
Total revenues	<u>4,087,255</u>	<u>2,243,909</u>	<u>548,594</u>	<u>1,694,306</u>
Expenditures:				
Current:				
Administration	2,386,342	-	-	-
Environmental Public Health	509,346	-	-	2,017,503
Community Public Health	628,569	-	513,957	-
Medical Health Services	909,626	2,418,999	-	-
Debt service:				
Principal retirement	11,917	-	-	-
Interest and fiscal charges	2,293	-	-	-
Total expenditures	<u>4,448,093</u>	<u>2,418,999</u>	<u>513,957</u>	<u>2,017,503</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(360,838)</u>	<u>(175,090)</u>	<u>34,637</u>	<u>(323,197)</u>
Other financing sources:				
Capital lease transaction	110,389	-	-	-
Net change in fund balances	(250,449)	(175,090)	34,637	(323,197)
Fund balances (deficit)				
at beginning of year (restated)	1,192,404	(148,498)	3,442	344,122
Fund balances (deficit) at end of year	<u><u>\$ 941,955</u></u>	<u><u>\$ (323,588)</u></u>	<u><u>\$ 38,079</u></u>	<u><u>\$ 20,925</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 1,463	\$ 1,016,242
-	1,301,402
3,606,198	9,838,401
10	14,331
36,860	36,860
11,570	22,929
<u>3,656,101</u>	<u>12,230,165</u>
-	2,386,342
1,073,425	3,600,274
1,806,472	2,948,998
801,705	4,130,330
-	11,917
-	2,293
<u>3,681,602</u>	<u>13,080,154</u>
<u>(25,501)</u>	<u>(849,989)</u>
-	110,389
(25,501)	(739,600)
(158,851)	1,232,619
<u>\$ (184,352)</u>	<u>\$ 493,019</u>

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

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, 2016

Net change in fund balances - total governmental funds	\$	(739,600)
<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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 118,903	
Current year depreciation	<u>(58,955)</u>	
Total		59,948
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenues	4,302	
Other	<u>6,256</u>	
Total		10,558
The inception of capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(110,389)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		11,917
Contractually required contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		680,483
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.		
		(1,263,430)
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.		
		<u>85,629</u>
Change in net position of governmental activities	\$	<u><u>(1,264,884)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 806,766	\$ 720,420	\$ 771,699	\$ 51,279
Licenses and permits	502	448	480	32
Intergovernmental	3,544,818	3,165,423	3,390,737	225,314
Contributions and donations	14,972	13,369	14,321	952
Other	1,145	1,022	1,095	73
Total revenues	<u>4,368,203</u>	<u>3,900,682</u>	<u>4,178,332</u>	<u>277,650</u>
Expenditures:				
Current:				
Administration	3,056,944	3,077,383	2,992,632	84,751
Environmental public health	622,268	579,167	535,447	43,720
Community public health	1,002,354	805,105	643,520	161,585
Medical health services	1,179,136	940,748	906,945	33,803
Total expenditures	<u>5,860,702</u>	<u>5,402,403</u>	<u>5,078,544</u>	<u>323,859</u>
Excess of expenditures over revenues	<u>(1,492,499)</u>	<u>(1,501,721)</u>	<u>(900,212)</u>	<u>601,509</u>
Other financing sources (uses):				
Advances in	1,320,953	1,179,574	1,263,536	83,962
Advances (out)	<u>(375,000)</u>	<u>(549,459)</u>	<u>(1,486,782)</u>	<u>(937,323)</u>
Total other financing sources (uses)	<u>945,953</u>	<u>630,115</u>	<u>(223,246)</u>	<u>(853,361)</u>
Net change in fund balance	(546,546)	(871,606)	(1,123,458)	(251,852)
Fund balance at beginning of year (restated) .	669,820	669,820	669,820	-
Prior year encumbrances appropriated . . .	399,605	399,605	399,605	-
Fund balance (deficit) at end of year	<u>\$ 522,879</u>	<u>\$ 197,819</u>	<u>\$ (54,033)</u>	<u>\$ (251,852)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental.	\$ 2,329,557	\$ 4,607,245	\$ 2,016,267	\$ (2,590,978)
Expenditures:				
Current:				
Medical health services.	<u>2,329,557</u>	<u>4,607,245</u>	<u>3,357,669</u>	<u>1,249,576</u>
Net change in fund balance	-	-	(1,341,402)	(1,341,402)
Fund balance (deficit) at beginning of year .	(1,238,729)	(1,238,729)	(1,238,729)	-
Prior year encumbrances appropriated . . .	<u>1,168,298</u>	<u>1,168,298</u>	<u>1,168,298</u>	-
Fund balance (deficit) at end of year	<u><u>\$ (70,431)</u></u>	<u><u>\$ (70,431)</u></u>	<u><u>\$ (1,411,833)</u></u>	<u><u>\$ (1,341,402)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC HEALTH EMERGENCY PREPAREDNESS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental.	\$ 764,472	\$ 1,084,956	\$ 338,361	\$ (746,595)
Expenditures:				
Current:				
Community public health.	351,808	1,084,956	580,185	504,771
Net change in fund balance	412,664	-	(241,824)	(241,824)
Fund balance (deficit) at beginning of year .	(257,989)	(257,989)	(257,989)	-
Prior year encumbrances appropriated . . .	262,793	262,793	262,793	-
Fund balance (deficit) at end of year	<u>\$ 417,468</u>	<u>\$ 4,804</u>	<u>\$ (237,020)</u>	<u>\$ (241,824)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 310,598	\$ 377,121	\$ 288,777	\$ (88,344)
Licenses and permits	1,391,107	1,689,048	1,293,373	(395,675)
Intergovernmental	109,304	132,715	101,625	(31,090)
Other	920	1,116	855	(261)
Total revenues	<u>1,811,929</u>	<u>2,200,000</u>	<u>1,684,630</u>	<u>(515,370)</u>
Expenditures:				
Current:				
Environmental services	<u>2,219,322</u>	<u>2,274,245</u>	<u>2,043,433</u>	<u>230,812</u>
Net change in fund balance	(407,393)	(74,245)	(358,803)	(284,558)
Fund balances at beginning of year	338,884	338,884	338,884	-
Prior year encumbrances appropriated	68,509	68,509	68,509	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 333,148</u>	<u>\$ 48,590</u>	<u>\$ (284,558)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

	Enterprise
	Federally Qualified Health Center
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	
with fiscal agent	\$ 265,335
Receivables:	
Accounts	316,707
Due from other governments	3,561
Materials and supplies inventory	123,244
Total current assets	708,847
Noncurrent assets:	
Net pension asset	14,444
Capital assets:	
Depreciable capital assets, net	24,322
Total noncurrent assets	38,766
Total assets	747,613
Deferred outflows of resources:	
Pension - OPERS (see Note 12)	1,035,119
Liabilities:	
Current liabilities:	
Accounts payable	26,286
Accrued wages and benefits payable	41,299
Due to other governments	26,714
Compensated absences payable - current	175,570
Total current liabilities	269,869
Long-term liabilities:	
Compensated absences payable	138,456
Net pension liability	2,152,501
Total long-term liabilities	2,290,957
Total liabilities	2,560,826
Deferred inflows of resources:	
Pension - OPERS (see Note 12)	48,155
Net position:	
Investment in capital assets	24,322
Unrestricted	(850,571)
Total net position (deficit)	\$ (826,249)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise
	Federally Qualified Health Center
Operating revenues:	
Charges for services	\$ 1,880,676
Operating expenses:	
Personal services	2,354,094
Fringe benefits.	700,319
Contract services.	173,468
Materials and supplies.	553,716
Administrative costs.	40,115
Depreciation.	2,320
Total operating expenses.	3,824,032
Operating loss	(1,943,356)
Nonoperating revenues:	
Grants	1,178,313
Contributions and donations.	1,292
Total nonoperating revenues	1,179,605
Change in net position	(763,751)
Net position (deficit) at beginning of year (restated)	(62,498)
Net position (deficit) at end of year	\$ (826,249)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise
	Federally Qualified Health Center
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,759,528
Cash payments for personal services	(1,936,263)
Cash payments for fringe benefits	(728,955)
Cash payments for contractual services	(161,619)
Cash payments for materials and supplies	(581,827)
Cash payments for administrative costs	(41,776)
	<u>(1,690,912)</u>
 Cash flows from noncapital financing activities:	
Cash received from grants	1,175,548
Cash received from contributions and donations	1,292
	<u>1,176,840</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,042)
	<u>(6,042)</u>
Net decrease in cash and cash equivalents	(520,114)
 Cash and cash equivalents at beginning of year . . .	785,449
Cash and cash equivalents at end of year	\$ <u><u>265,335</u></u>
 Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	\$ (1,943,356)
Adjustments:	
Depreciation	2,320
Changes in assets and liabilities:	
(Increase) in materials and supplies inventory	(12,795)
(Increase) in accounts receivable	(121,117)
(Increase) in deferred outflows - pension	(762,622)
(Increase) in net pension asset	(7,514)
(Decrease) in accounts payable	(5,159)
(Decrease) in accrued wages and benefits	(20,998)
Increase in due to other governments	26,714
Increase in compensated absences payable	131,008
Increase in net pension liability	996,869
Increase in deferred inflows - pension	25,738
	<u>25,738</u>
Net cash (used in) operating activities	<u>\$ (1,690,912)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	
with fiscal agent	\$ 286,584
	<u>286,584</u>
Liabilities:	
Undistributed monies	\$ 286,584
	<u>286,584</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, 2016**

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 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The statement of net position presents the financial condition of the governmental activities and business-type 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 and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. 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 revenues 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 and enterprise 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. Fiduciary funds are reported by type.

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. There are three categories of funds utilized by the District: governmental, proprietary, and fiduciary.

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 of resources 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.

Public Health Emergency Preparedness Fund – This fund accounts for grant monies that are restricted in use for the use of responding to a range of public health threats, including infectious diseases, natural disasters and biological, chemical, and radiological events.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

Proprietary Funds - Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The District's proprietary funds include one enterprise fund.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's has one major enterprise fund:

Federally Qualified Health Center Fund - This fund is used to account for the provision of medical services as a Federally Qualified Health Center (FQHC) to residents within the District.

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. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

D. 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; enterprise and agency funds also use 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. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 Outflows of Resources and Deferred Inflows 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, see Note 12 for deferred outflows of resources related the District's net pension liability.

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.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

E. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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.

F. 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.

G. 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.

H. 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.

I. 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.

For purposes of the statement of cash flows, monies held by the Lucas County as fiscal agent for the District are considered to be "cash equivalents".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

J. 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 District 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 District 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 District of Oregon provides 4.30%, the District of Maumee provides 3.8%, the District of Sylvania provides 3.35%, the District 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.

K. 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. 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>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Vehicles	7 - 10 years	N/A
Furniture, fixtures and equipment	5 - 10 years	5 - 10 years

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The District's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Net position restricted for other purposes are restricted by grantors and regulations of other governments.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

M. 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".

N. 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.

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.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund is reported on the enterprise funds' 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 are reported as 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.

P. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for services. Operating expenses for the enterprise fund includes personnel costs, contract services, materials and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise fund reports nonoperating revenues for grants, contributions and donations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Q. 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 Directors (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Directors 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 Directors, which includes giving the Chief Financial Officer the authority to constrain monies for intended purposes.

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.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

S. 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 2016.

T. 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

For 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The District participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances/Net Position

Fund balances/Net Position at December 31, 2016 included the following individual fund deficits:

<u>Major Governmental Funds</u>	<u>Deficit</u>
WIC	\$ 323,588
 <u>Nonmajor Governmental Funds</u>	
Dental Programs	9,043
Child and Family Health Services	22,013
HIV and STD Prevention Program	3,907
Lead Hazard Control Grant	1,511
Creating Healthy Communities	10,870
Personal Responsibility Education Program	819
Healthy Start Initiative	176,561
 <u>Major Enterprise Funds</u>	
Federally Qualified Health Center	826,249

The general fund is liable for any deficit in this fund 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Fund Reclassifications

The District's Public Health Emergency Preparedness Fund is required to be reported as a major fund in 2016. As such, the District has reclassified the Public Health Emergency Preparedness Fund from a nonmajor governmental fund to major governmental fund.

In addition, the District has reclassified the Federally Qualified Health Center (FQHC) nonmajor governmental fund and various departments previously reported in the General Fund that support the FQHC program to a separate Federally Qualified Health Center enterprise fund.

The fund reclassifications had the following effect on fund balance as previously reported:

	<u>General</u>	<u>Public Health Emergency Preparedness</u>	<u>Nonmajor Governmental</u>
Fund balance (deficit) at December 31, 2015	\$ 2,186,443	\$ -	\$ (151,702)
Reclassification due to major fund reporting	-	3,442	(3,442)
Reclassification of FQHC operations to separate enterprise fund	<u>(994,039)</u>	<u>-</u>	<u>(3,707)</u>
Restated fund balance (deficit) at January 1, 2016	<u>\$ 1,192,404</u>	<u>\$ 3,442</u>	<u>\$ (158,851)</u>

The fund reclassification of the FQHC operations to a separate enterprise fund had the following effect on net position as previously reported:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Enterprise Federally Qualified Health Center</u>
Net position (deficit) at at December 31, 2015	\$ (2,546,528)	\$ -	\$ -
Reclassification of FQHC operations to separate enterprise fund	<u>62,498</u>	<u>(62,498)</u>	<u>(62,498)</u>
Restated net position (deficit) at January 1, 2016	<u>\$ (2,484,030)</u>	<u>\$ (62,498)</u>	<u>\$ (62,498)</u>

In addition to the above, the fund reclassification of the FQHC operations to a separate enterprise fund required the reclassification of various departments previously reported in the General Fund that support the FQHC program to the Federally Qualified Health Center enterprise fund. The reclassification requires a restatement of the fund balance as previously reported in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund from \$1,400,660 as previously reported at December 31, 2015 to a restated balance of \$669,820 at January 1, 2016.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Upcoming Reporting Changes

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, 2016 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, 2016 was \$852,714.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2016 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, 2016. All receivables are expected to be collected in the subsequent year. Amounts due from other governments consisted of the following at year end:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental</u>		
WIC	Grant - federal	\$ 297,642
Public Health Emergency Preparedness	Grant - federal	259,345
Nonmajor Governmental	Grants - federal	286,191
Nonmajor Governmental	Grants - state	<u>98,665</u>
		<u>384,856</u>
<u>Enterprise</u>		
Federally Qualified Health Center	Grants - federal	<u>3,561</u>
Total due from other governments		<u>\$ 945,404</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - CAPITAL ASSETS

In 2016, the District has reclassified FQHC operations to a separate enterprise fund and business-type activity (see Note 3.C). As part of this reclassification, \$20,600 of capital assets, net of depreciation, have been reclassified from the governmental activities to the business-type activities. Capital asset activity for the governmental activities for the year ended December 31, 2016, was as follows:

	Restated			
	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/16</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 182,534	\$ 118,903	\$ -	\$ 301,437
Vehicles	<u>187,518</u>	<u>-</u>	<u>-</u>	<u>187,518</u>
Total capital assets, being depreciated	<u>370,052</u>	<u>118,903</u>	<u>-</u>	<u>488,955</u>
<i>Less: accumulated depreciation:</i>				
Furniture, fixtures and equipment	(94,664)	(34,821)	-	(129,485)
Vehicles	<u>(77,520)</u>	<u>(24,134)</u>	<u>-</u>	<u>(101,654)</u>
Total accumulated depreciation	<u>(172,184)</u>	<u>(58,955)</u>	<u>-</u>	<u>(231,139)</u>
Total capital assets being depreciated, net	<u>197,868</u>	<u>59,948</u>	<u>-</u>	<u>257,816</u>
Governmental activities capital assets, net	<u>\$ 197,868</u>	<u>\$ 59,948</u>	<u>\$ -</u>	<u>\$ 257,816</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
Administration	<u>\$ 58,955</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - CAPITAL ASSETS - (Continued)

Capital asset activity for business-type activities for the year ended December 31, 2016, was as follows:

	Restated			
	Balance			Balance
<u>Business-type activities:</u>	<u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/16</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 21,684	\$ 6,042	\$ -	\$ 27,726
Total capital assets, being depreciated	<u>21,684</u>	<u>6,042</u>	<u>-</u>	<u>27,726</u>
<i>Less: accumulated depreciation:</i>				
Furniture, fixtures and equipment	(1,084)	(2,320)	-	(3,404)
Total accumulated depreciation	<u>(1,084)</u>	<u>(2,320)</u>	<u>-</u>	<u>(3,404)</u>
Total capital assets being depreciated, net	<u>20,600</u>	<u>3,722</u>	<u>-</u>	<u>24,322</u>
Governmental activities capital assets, net	<u>\$ 20,600</u>	<u>\$ 3,722</u>	<u>\$ -</u>	<u>\$ 24,322</u>

Depreciation expense was charged to the District's enterprise fund as follows:

<u>Business-type activities:</u>	
Federally Qualified Health Center	<u>\$ 2,320</u>

NOTE 7 - LONG-TERM OBLIGATIONS

In 2016, the District has reclassified FQHC operations to a separate enterprise fund and business-type activity (see Note 3.C). As part of this reclassification, \$1,338,650 of long-term obligations have been reclassified from the governmental activities to the business-type activities.

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

	Restated				
	Balance			Balance	Due Within
<u>Governmental Activities:</u>	<u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u>	<u>One Year</u>
Compensated absences	\$ 861,290	\$ 391,616	\$ (477,245)	\$ 775,661	\$ 400,227
Capital lease obligation	-	110,389	(11,917)	98,472	20,800
Net pension liability	<u>4,051,635</u>	<u>2,929,884</u>	<u>-</u>	<u>6,981,519</u>	<u>-</u>
Total	<u>\$ 4,912,925</u>	<u>\$ 3,431,889</u>	<u>\$ (489,162)</u>	<u>\$ 7,855,652</u>	<u>\$ 421,027</u>

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

<u>Business-type Activities:</u>	<u>Restated Balance 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>	<u>Due Within One Year</u>
Compensated absences	\$ 183,018	\$ 218,406	\$ (87,398)	\$ 314,026	\$ 175,570
Net pension liability	<u>1,155,632</u>	<u>996,869</u>	<u>-</u>	<u>2,152,501</u>	<u>-</u>
Total	<u>\$ 1,338,650</u>	<u>\$ 1,215,275</u>	<u>\$ (87,398)</u>	<u>\$ 2,466,527</u>	<u>\$ 175,570</u>

See Note 8 for further information on the District's capital lease obligation.

Compensated absences will be paid from the General Fund and the Federally Qualified Health Center enterprise fund.

See Note 12 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their services.

NOTE 8 - CAPITAL LEASE OBLIGATION

During 2016, the District entered into capital lease agreements for the acquisition of copiers. This lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by the leases have been capitalized in the amount of \$110,389, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was \$11,039, leaving a current book value of \$99,350.

A corresponding liability was recorded on the statement of net position. In 2016, principal payments of \$11,917 are reflected as debt service principal retirement in the General Fund. The principal payments are reported as a reduction to the long-term liabilities reported on the statement of net position.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8 - CAPITAL LEASE OBLIGATION - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Copiers</u>
2017	\$ 24,360
2018	24,360
2019	24,360
2020	24,360
2021	<u>10,150</u>
Total minimum lease payments	107,590
Less: amount representing interest	<u>(9,118)</u>
Present value of future minimum lease payments	<u>\$ 98,472</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Loans Receivable/Payable

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

	<u>Interfund Loan Receivable</u>
<u>Interfund Loan Payable:</u>	<u>General Fund</u>
Women, Infants, and Children Fund	\$ 298,818
Public Health Emergency Preparedness Fund	207,561
Nonmajor Governmental Funds	<u>266,795</u>
Total	<u>\$ 773,174</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.

NOTE 10 - RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - RISK MANAGEMENT - (Continued)

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 11 - 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	\$ 81,064
Women, Infants, and Children	1,113,015
Public Health Emergency Preparedness	29,459
Environmental Fees	1,928
Nonmajor Governmental	<u>837,807</u>
Total	<u>\$ 2,063,273</u>

NOTE 12 - 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.

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.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

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* or *net pension asset*, respectively, 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, other than full-time police and firefighters, 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 Pension 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
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 12 - 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):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - 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
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
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 the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$890,285 for 2016. Of this amount, \$99,901 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 and Member-Directed Plan, respectively, were measured as of December 31, 2015, 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

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

	OPERS
Proportion of the net pension liability prior measurement date	0.043174%
Proportion of the net pension liability current measurement date	<u>0.052733%</u>
Change in proportionate share	<u>0.009559%</u>
Proportion of the net pension asset prior measurement date	0.081099%
Proportion of the net pension asset current measurement date	<u>0.189653%</u>
Change in proportionate share	<u>0.108554%</u>
Proportionate share of the net pension liability	\$ 9,134,020
Proportionate share of the net pension asset	61,292
Pension expense	1,725,703

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	\$ 1,698
Net difference between projected and actual earnings on pension plan investments	2,711,582
Changes in employer's proportionate percentage and difference between employer contributions and proportionate share of contributions	788,907
District contributions subsequent to the measurement date	<u>890,285</u>
Total deferred outflows of resources	<u>\$ 4,392,472</u>
Deferred inflows of resources	
Differences between expected and actual experience	<u>\$ 204,343</u>

\$890,285 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, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - 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:

		OPERS	
Year Ending December 31:			
2017	\$	962,150	
2018		991,752	
2019		746,464	
2020		610,387	
2021		(3,312)	
Thereafter		(9,597)	
Total	\$	3,297,844	

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/asset in the December 31, 2015, 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	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% 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
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - 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 401 (h) Health Care Trust 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 0.40 percent for 2015.

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 2015 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	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed 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 contractually required rates, as actuarially determined. 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan 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, 2016

NOTE 12 - 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	\$ 14,552,726	\$ 9,134,020	\$ 4,563,514
Combined Plan	(1,255)	(61,047)	(109,142)
Member-Directed Plan	642	(245)	(642)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 13 - POSTRETIREMENT BENEFIT PLAN

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 Plan and the Combined Plan. 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 administered 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 13 - POSTRETIREMENT BENEFIT PLAN - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, 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 2016 was 2.00%.

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, 2016, 2015, and 2014 were \$158,306, \$152,239, and \$114,731, respectively; 90.47% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 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 14 - 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 15 - 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, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – CONTINGENCIES - (Continued)

B. Litigation

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

NOTE 16 - 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	WIC Fund	Public Health Emergency Preparedness Fund	Environmental Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 7,663	\$ -	\$ -	\$ -	\$ -	\$ 7,663
Restricted:						
Environmental programs	-	-	-	20,925	-	20,925
Community programs	-	-	38,079	-	40,372	78,451
Total restricted	-	-	38,079	20,925	40,372	99,376
Committed:						
Clinical programs	10,663	-	-	-	-	10,663
Assigned:						
Clinical programs	3,301	-	-	-	-	3,301
Environmental programs	9,690	-	-	-	-	9,690
Community health programs	955	-	-	-	-	955
Administration	67,118	-	-	-	-	67,118
Total assigned	81,064	-	-	-	-	81,064
Unassigned (deficit)	842,565	(323,588)	-	-	(224,724)	294,253
Total fund balances (deficit)	\$ 941,955	\$ (323,588)	\$ 38,079	\$ 20,925	\$ (184,352)	\$ 493,019

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 17 - 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	WIC Fund	Public Health Emergency Preparedness Fund	Environmental Fees Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Budget basis	\$ (1,123,458)	\$ (1,341,402)	\$ (241,824)	\$ (358,803)
Net adjustment for revenue accruals	(91,077)	227,642	210,233	9,676
Net adjustment for expenditure accruals	549,387	(174,345)	36,769	24,002
Net adjustment for other financing sources/(uses) accruals	333,635	-	-	-
Encumbrances	<u>81,064</u>	<u>1,113,015</u>	<u>29,459</u>	<u>1,928</u>
GAAP basis	<u>\$ (250,449)</u>	<u>\$ (175,090)</u>	<u>\$ 34,637</u>	<u>\$ (323,197)</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 THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
District's proportion of the net pension liability	0.052733%	0.043174%	0.043174%
District's proportionate share of the net pension liability	\$ 9,134,020	\$ 5,207,267	\$ 5,089,652
District's covered-employee payroll	\$ 7,325,283	\$ 5,715,592	\$ 5,121,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.69%	91.11%	99.37%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
District's proportion of the net pension asset	0.125450%	0.081099%	0.081099%
District's proportionate share of the net pension asset	\$ 61,047	\$ 31,225	\$ 8,510
District's covered-employee payroll	\$ 286,675	\$ 296,450	\$ 243,415
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	21.29%	10.53%	3.50%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
District's proportion of the net pension asset	0.064203%	n/a	n/a
District's proportionate share of the net pension asset	\$ 245	n/a	n/a
District's covered-employee payroll	\$ 357,567	n/a	n/a
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the District's measurement date which is the prior year-end.

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 SEVEN YEARS (1)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 786,873	\$ 879,034	\$ 685,871	\$ 665,858
Contributions in relation to the contractually required contribution	<u>(786,873)</u>	<u>(879,034)</u>	<u>(685,871)</u>	<u>(665,858)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,557,275	\$ 7,325,283	\$ 5,715,592	\$ 5,121,985
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 71,085	\$ 34,401	\$ 35,574	\$ 31,644
Contributions in relation to the contractually required contribution	<u>(71,085)</u>	<u>(34,401)</u>	<u>(35,574)</u>	<u>(31,644)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 592,375	\$ 286,675	\$ 296,450	\$ 243,415
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 32,327	\$ 42,908		
Contributions in relation to the contractually required contribution	<u>(32,327)</u>	<u>(42,908)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
District's covered-employee payroll	\$ 269,392	\$ 357,567		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

(1) Information prior to 2010 was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 521,711	\$ 597,859	\$ 532,309
<u>(521,711)</u>	<u>(597,859)</u>	<u>(532,309)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,217,110	\$ 5,978,590	\$ 5,967,590
10.00%	10.00%	8.92%
\$ 18,283	\$ 21,515	\$ 24,841
<u>(18,283)</u>	<u>(21,515)</u>	<u>(24,841)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 229,975	\$ 270,629	\$ 256,357
7.95%	7.95%	9.69%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title/Project Number	Federal CFDA Number	Pass Through Entity Number/ Contract Number	Passed Through to Subrecipients	Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE (AG) <i>Passed Through Ohio Department of Health</i>				
Special Supplemental Nutrition Program for Women, Infants and Children (H24XX)	10.557	048-1-001-1-WA	1,217,581	<u>2,244,655</u>
Total United States Department of Agriculture				2,244,655
UNITED STATES DEPARTMENT OF COMMERCE (COM) <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>1,599</u>
Total United States Department of Commerce				1,599
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)				
Lead-Based Paint Hazard Control In Privately-Owned Housing (H8715)	14.900	OHLHB0543-12	798,799	824,670
<i>Passed Through City of Toledo</i>				
CDBG - Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants Rodent/Nuisance Control (H28XX)	14.218	n/a		<u>48,533</u>
Total CDGB - Entitlement Grants Cluster				<u>48,533</u>
Total United States Department of Housing and Urban Development				873,202
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) <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>182,145</u>
Total Clean Water State Revolving Fund Cluster				<u>182,145</u>
Total United States Environmental Protection Agency				182,145
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)				
Health Center Program Cluster: Consolidated Health Centers (Fund 9027)	93.224	H80CS29022		<u>756,909</u>
Total Health Center Program Cluster				756,909
Healthy Start Initiative-Eliminating Racial/Ethnic Disparities (H91XX, H92XX)	93.926	H49MC27825	238,730	722,583
<i>Passed Through National Association of County & City Health Officials</i>				
Medical Reserve Corps Units (H35XX)	93.008	5 MRCSG101005-04-00		5,970
<i>Passed Through Ohio Department of Aging</i> <i>Passed Through 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		33,611
<i>Passed Through Ohio Department of Health</i> <i>Passed Through Lucas County Commissioners</i>				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs (H2216)	93.116	5U52PS00470302		10,752
<i>Passed Through Hospital Council of Northwest Ohio</i>				
Partnerships to Improve Community Health (H60XX, H62XX)	93.331	5NU58DP005639		169,135
<i>Passed Through Council of State and Territorial Epidemiologists</i>				
NON-ACA/PPHF-Building Capacity of the Public Health System to Improve Population Health Through National Nonprofit Organizations (H5316)	93.424	5U38HM000414-03		2,816
<i>Passed Through Ohio Department of Jobs and Family Services</i>				
Refugee Cash and Medical Assistance and Refugee Social Services (H63XX)	93.566	1601OHRCA		45,222
Medicaid Cluster: <i>Passed Through University of Toledo</i> <i>Passed Through Hospital Council of Northwest Ohio</i>				
Medical Assistance Program (H6416)	93.778	N-124571-01		1,259

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title/Project Number	Federal CFDA Number	Pass Through Entity Number/ Contract Number	Passed Through to Subrecipients	Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE (AG)				
<i>Passed Through Ohio Department of Health</i>				
Medical Assistance Program, Medicaid Administrative Claiming (H8813)	93.778	1505OH5021		348,763
	93.778	1605OH5021		
	93.778	1505OH5028		
	93.778	1505OH5048		
	93.778	1605OH5028		
	93.778	1605OH5048		
	93.778	1705OH5028		
	93.778	1705OH5048		
Total Medicaid Cluster				<u>350,023</u>
<i>Passed Through Ohio Department of Health</i>				
Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (H34XX, H6916)	93.069	5 NU90TP000541-05	170,634	292,172
Total Public Health Emergency Preparedness	93.069	3U90TP000541		<u>252,585</u>
Affordable Care Act (ACA) Personal Responsibility Education Program (H83XX)	93.092	048-1-001-1-PR	30,516	107,129
Immunization Cooperative Agreements (H05XX, H07XX)	93.268	5 NH23IP000765-04-00		135,790
National State Based Tobacco Control Programs (H80XX)	93.305	1U58DP005979-01		12,087
HIV Prevention Activities Health Department Based (H37XX)	93.940	5U6SPS003661-05	83,164	229,374
Preventative Health Services Sexually Transmitted Diseases Control Grant (H19XX)	93.977	5H25PS004351-03		50,363
Preventative Health and Health Services Block Grant (H72XX)	93.758	048-1-001-4-CC		114,474
Maternal and Child Health Services Block Grant to the States (H14XX, H16XX, H3615 & H57XX)	93.994	B04MC29357-01-00		71,250
	93.994	B04MC29357-01-00	170,865	148,498
	93.994	5 MRCSG101005-04-00		4,985
	93.994	B04MC29357-01-00		<u>853</u>
Total Maternal and Child Health Services Block Grant to the States				<u>225,586</u>
Total United States Department of Health and Human Services				<u>3,516,581</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>2,710,288</u>	<u>6,818,182</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 OF AWARDS
DECEMBER 31, 2016**

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, the business-type 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, 2016, 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 22, 2017.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



August 22, 2017

**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, 2016. 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, 2016.

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 22, 2017

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

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? X yes

_____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:

CFDA Number(s) Name of Federal Program or Cluster

14.900	Lead-Based Paint Hazard Control In Privately-Owned Housing
10.557	Special Supplemental Nutrition Program for Women, Infants and Children Health Center Program Cluster:
93.224	Consolidated Health Centers

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

\$750,000

Auditee qualified as low risk auditee? _____Yes

X No

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001 – Non-Compliance

Criteria: Ohio Revised Code §§ 3734.06(B), 3714.07(A)(4), and 3734.06(C)(4) specify that fees collected and retained under these sections may only be used to administer and enforce the rules applicable to solid waste, construction and demolition debris, and infectious waste, respectively.

Condition: Funds in the amount of \$22,788, \$125,798, and \$92,281 from the Solid Waste, Construction and Demolition Debris, and Infectious Waste funds, respectively, were advanced to other funds.

Cause: The District’s Chief Financial Officer made journal entries to record the advances at year end as miscellaneous revenue in the receiving fund and a corresponding expense in the transferring fund without approval of the governing board.

Effect: The advances resulted in fees collected not being retained for their specified purposes as required by the Ohio Revised Code.

Recommendation: We recommend that fees collected be retained and used as specified in the Ohio Revised Code. In addition, we recommend that any inter-fund advances be recorded as such and be approved by the governing board with consideration of the applicable legal requirements.

District Management’s

Response: The District agrees with the finding and will implement policies to prohibit any inter-fund transfers or advances without prior approval of the governing board.

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, 2016**

NONE



Dave Yost • Auditor of State

LUCAS COUNTY REGIONAL HEALTH DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 24, 2017