

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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Members of the Board  
Lucas County Regional Health District  
635 North Erie Street  
Toledo, OH 43604

We have reviewed the *Independent Auditor's Report* of the Lucas County Regional Health District, prepared by Weber Clark Ltd., for the audit period January 1, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 13, 2019

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

**TABLE OF CONTENTS**

<b>Independent Auditor's Report</b>	<b>1 - 3</b>
<b>Management's Discussion and Analysis</b>	<b>4 - 17</b>
<b>Statement of Net Position</b>	<b>18</b>
<b>Statement of Activities</b>	<b>19 - 20</b>
<b>Balance Sheet Governmental Funds</b>	<b>21 - 22</b>
<b>Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities</b>	<b>23</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds</b>	<b>24 - 25</b>
<b>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</b>	<b>26</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund</b>	<b>27</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Women, Infants, and Children Fund</b>	<b>28</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Miscellaneous Grant Fund</b>	<b>29</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Environmental Fees Fund</b>	<b>30</b>
<b>Statement of Net Position - Proprietary Fund</b>	<b>31</b>
<b>Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund</b>	<b>32</b>
<b>Statement of Cash Flows - Proprietary Fund</b>	<b>33</b>
<b>Statement of Fiduciary Assets and Liabilities - Agency Funds</b>	<b>34</b>

<b>Notes to the Basic Financial Statements</b>	<b>35 - 67</b>
<b>Schedule of the District's Proportionate Share of the Net Pension Liability/ Net Pension Asset - Ohio Public Employees Retirement System (OPERS)</b>	<b>68</b>
<b>Schedule of District Pension Contributions - Ohio Public Employees Retirement System (OPERS)</b>	<b>69 - 70</b>
<b>Schedule of the District's Proportionate Share of the Net OPEB Liability - Ohio Public Employees Retirement System (OPERS)</b>	<b>71</b>
<b>Schedule of District OPEB Contributions - Ohio Public Employees Retirement System (OPERS)</b>	<b>72</b>
<b>Notes to the Required Supplementary Information</b>	<b>73</b>
<b>Schedule of Expenditures of Federal Awards</b>	<b>74</b>
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	<b>75</b>
<b>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</b>	<b>76 - 77</b>
<b>Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance</b>	<b>78 - 79</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>80 - 81</b>
<b>Summary Schedule of Prior Audit Findings</b>	<b>82</b>



## INDEPENDENT AUDITOR'S REPORT

Board Members  
Lucas County Regional Health District  
Lucas County, Ohio  
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, Lucas County, Ohio, (the "District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Board Members  
Lucas County Regional Health District  
Lucas County, Ohio

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, 2018, 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 Miscellaneous Grant Fund, and Environmental Fees Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, in 2018, the District implemented, GASBS Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **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 68 - 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board Members  
Lucas County Regional Health District  
Lucas County, Ohio

*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 74 - 75 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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. The 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 July 25, 2019, 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.



July 25, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

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, 2018. 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 2018 are as follows:

- For 2018, the total net position of the District decreased \$342,986, which represents a 3.21% decrease from December 31, 2017's restated net position. Net position of governmental activities increased \$354,053 and net position of business-type activities decreased \$697,039 from 2017's restated net position.
- General revenues accounted for \$3,336,740 in revenue or 25.53% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$9,735,204 or 74.47% of total governmental activities revenues of \$13,071,944.
- The District had \$12,397,450 in expenses related to governmental activities; \$9,735,204 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and allocations) of \$3,336,740 were adequate to provide for these programs. The District had transfers out to business-type activities of \$320,441.
- The District's major funds are the General Fund, the Women, Infants, and Children Fund (WIC), the Miscellaneous Grant fund, and the Environmental Fees Fund. The General Fund had \$4,531,307 in revenues and other financing sources and \$3,676,615 in expenditures and other financing uses. During 2018, the General Fund's fund balance increased \$854,692 from \$692,271 to \$1,546,963.
- The WIC Fund, a District major fund, had \$2,411,266 in revenues and \$2,308,574 in expenditures. During 2018, the WIC Fund's fund balance increased \$102,692 from a deficit balance of \$211,563 to a deficit balance of \$108,871. WIC is the District's largest federal grant program, reimbursed for allowable expenditures after they are incurred.
- The Miscellaneous Grant Fund, a District major fund, had \$1,927,324 in revenues and \$998,760 in expenditures. During 2018, the Miscellaneous Grant Fund's fund balance increased \$928,564 from a balance of \$25,870 to a balance of \$954,434.
- The Environmental Fees Fund, a District major fund, had \$2,393,266 in revenues and other financing sources and \$2,283,714 in expenditures. During 2018, the Environmental Fees Fund's fund balance increased \$109,552 from a balance of \$458,746 to a balance of \$568,298.
- Net position for the business-type activities, which is composed of the Federally Qualified Health Center Fund, decreased in 2018 by \$697,039 from a restated 2017 deficit balance of \$2,386,513 to a deficit balance of \$3,083,552. During 2018, the Federally Qualified Health Center Fund had operating revenues of \$1,180,240, operating expenses of \$2,778,951, and \$581,231 in non-operating revenues consisting of grants.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

**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 2018?" 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.

**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 14.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

***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 Miscellaneous Grant 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 20-30 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 31-33 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 statements 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.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a 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 35-67 of this report.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension/OPEB liabilities. The RSI can be found on pages 69-74 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

**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, 2018 compared to 2017. The net position at December 31, 2017 has been restated as described in Note 3A.

	<b>Net Position</b>					
	<u>Governmental Activities</u>		<u>Buisness-type Activities</u>		<u>Total</u>	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<b><u>Assets</u></b>						
Current and other assets	\$ 3,607,383	\$ 1,989,201	\$ 949,481	\$ 1,576,890	\$ 4,556,864	\$ 3,566,091
Capital assets, net	<u>166,041</u>	<u>192,610</u>	<u>18,778</u>	<u>21,550</u>	<u>184,819</u>	<u>214,160</u>
Total assets	<u>3,773,424</u>	<u>2,181,811</u>	<u>968,259</u>	<u>1,598,440</u>	<u>4,741,683</u>	<u>3,780,251</u>
<b><u>Deferred outflows of resources</u></b>	<u>2,496,953</u>	<u>3,695,367</u>	<u>694,030</u>	<u>1,768,211</u>	<u>3,190,983</u>	<u>5,463,578</u>
<b><u>Liabilities</u></b>						
Current liabilities	349,006	536,594	26,097	131,845	375,103	668,439
Long-term liabilities:						
Due within one year	464,213	443,771	118,100	171,579	582,313	615,350
Due in more than one year	<u>11,283,994</u>	<u>12,636,929</u>	<u>3,424,940</u>	<u>5,415,350</u>	<u>14,708,934</u>	<u>18,052,279</u>
Total liabilities	<u>12,097,213</u>	<u>13,617,294</u>	<u>3,569,137</u>	<u>5,718,774</u>	<u>15,666,350</u>	<u>19,336,068</u>
<b><u>Deferred inflows of resources</u></b>	<u>2,122,789</u>	<u>563,562</u>	<u>1,176,704</u>	<u>34,390</u>	<u>3,299,493</u>	<u>597,952</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	110,016	114,938	18,778	21,550	128,794	136,488
Restricted	52,706	100,469	-	-	52,706	100,469
Unrestricted (deficit)	<u>(8,112,347)</u>	<u>(8,519,085)</u>	<u>(3,102,330)</u>	<u>(2,408,063)</u>	<u>(11,214,677)</u>	<u>(10,927,148)</u>
Total net position (deficit)	<u>\$ (7,949,625)</u>	<u>\$ (8,303,678)</u>	<u>\$ (3,083,552)</u>	<u>\$ (2,386,513)</u>	<u>\$ (11,033,177)</u>	<u>\$ (10,690,191)</u>

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from a deficit of \$4,455,637 to a deficit of \$8,303,678 for governmental activities and a deficit balance of \$723,665 to a deficit balance of \$2,386,513 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,033,177. At year-end, net position was a deficit balance of \$7,949,625 and \$3,083,552 for the governmental activities and the business-type activities, respectively.

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

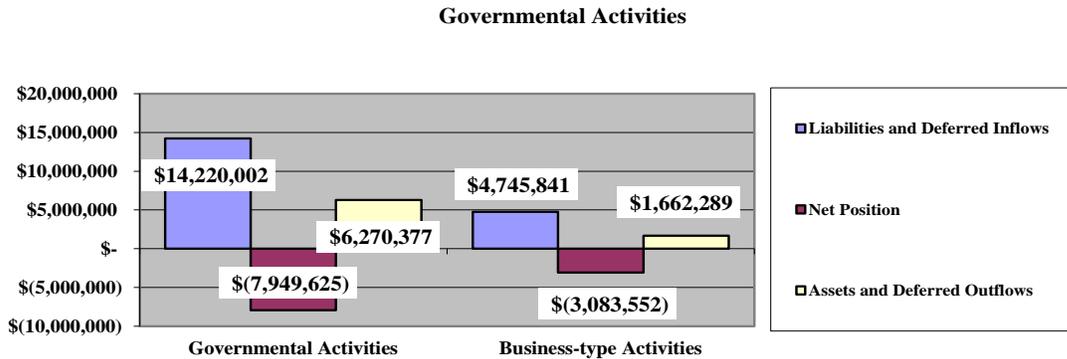
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

At year-end, capital assets represented 3.90% of total assets. Capital assets include furniture, fixtures and equipment, and vehicles. Net investment in capital assets at December 31, 2018 were \$110,016 and \$18,778 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, \$52,706, 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 \$11,214,677.

Current and other assets increased 27.78% from the prior year due to an increase in equity and pooled cash and cash equivalents with fiscal agent due to operations.

Current liabilities decreased 43.88% from the prior year primarily due to a decrease in accounts payable at year-end. The District had less of its obligations outstanding by year-end than in the prior year resulting in a decrease to the liability.

The graph below illustrates the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2018 for the governmental activities.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

The table below shows the comparative analysis of changes in net position for 2018 compared to 2017. The net position at December 31, 2017 has been restated as described in Note 3A.

	<b>Change in Net Position</b>					
	Governmental Activities		Buisness-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services and sales	\$ 2,384,601	\$ 2,342,862	\$ 1,157,020	\$ 2,819,981	\$ 3,541,621	\$ 5,162,843
Operating grants and contributions	7,350,603	7,166,088	581,231	909,855	7,931,834	8,075,943
General revenues:						
Grants and entitlements	3,326,247	3,096,368	-	-	3,326,247	3,096,368
Gain on sale of capital asset	10,493	-	-	-	10,493	-
Other	-	26,901	23,220	65,392	23,220	92,293
Total revenues	<u>13,071,944</u>	<u>12,632,219</u>	<u>1,761,471</u>	<u>3,795,228</u>	<u>14,833,415</u>	<u>16,427,447</u>
<b><u>Expenses</u></b>						
Program expenses:						
Administration	1,686,234	1,737,325	-	-	1,686,234	1,737,325
Environmental services	3,264,672	3,550,113	-	-	3,264,672	3,550,113
Community health services	3,521,104	3,070,772	-	-	3,521,104	3,070,772
Medical services	3,922,727	3,976,758	-	-	3,922,727	3,976,758
Interest and fiscal charges	2,713	3,560	-	-	2,713	3,560
Federally Qualified Health Center	-	-	2,778,951	4,693,058	2,778,951	4,693,058
Total expenses	<u>12,397,450</u>	<u>12,338,528</u>	<u>2,778,951</u>	<u>4,693,058</u>	<u>15,176,401</u>	<u>17,031,586</u>
Increase (decrease) in net position before transfers	674,494	293,691	(1,017,480)	(897,830)	(342,986)	(604,139)
Transfers	<u>(320,441)</u>	<u>(1,000,414)</u>	<u>320,441</u>	<u>1,000,414</u>	<u>-</u>	<u>-</u>
Change in net position	354,053	(706,723)	(697,039)	102,584	(342,986)	(604,139)
Net position (deficit) at beginning of year (restated)	<u>(8,303,678)</u>	N/A	<u>(2,386,513)</u>	N/A	<u>(10,690,191)</u>	N/A
Net position (deficit) at end of year	<u>\$ (7,949,625)</u>	<u>\$ (8,303,678)</u>	<u>\$ (3,083,552)</u>	<u>\$ (2,386,513)</u>	<u>\$ (11,033,177)</u>	<u>\$ (10,690,191)</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$90,083 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$501,094.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2018 program expenses under GASB 75	\$ 12,397,450	\$ 2,778,951
OPEB expense under GASB 75	(495,144)	(5,950)
2018 contractually required contributions	<u>12,551</u>	<u>3,885</u>
Adjusted 2018 program expenses	11,914,857	2,776,886
Total 2017 program expenses under GASB 45	<u>12,338,528</u>	<u>4,693,058</u>
Decrease in program expenses not related to OPEB	<u>\$ (423,671)</u>	<u>\$ (1,916,172)</u>

**Governmental Activities**

Governmental activities net position increased \$354,053 in 2018.

Medical services accounted for \$3,922,727 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), Maternal & Family Health Services (CFHS), Medicaid Administrative Claiming (MAC) and Electronic Health Records (EHR). These expenses were partially funded by \$3,103,948 in operating grants and contributions and \$655 in charges for services.

Environmental services accounted for \$3,264,672 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 decreased \$285,441 or 8.04% primarily due to expense related to the sewage treatment program. These expenses were partially funded by \$1,756,749 in direct charges for licenses and fees to users of the services and \$263,948 in operating grants and contributions.

Community health services accounted for \$3,521,104 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 increased \$450,332 or 14.67% primarily due to an increase in spending on HIV and STD prevention programs. These expenses were funded by \$611,402 in direct charges to patients as users of the services and \$3,658,368 in operating grants and contributions.

Administration of the District accounted for \$1,686,234 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 decreased \$51,091 or 2.94% primarily in the area of contracted services for building maintenance. These expenses were partially funded by \$324,339 in operating grants and contributions and \$15,795 in direct charges for licenses and fees to users of the services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

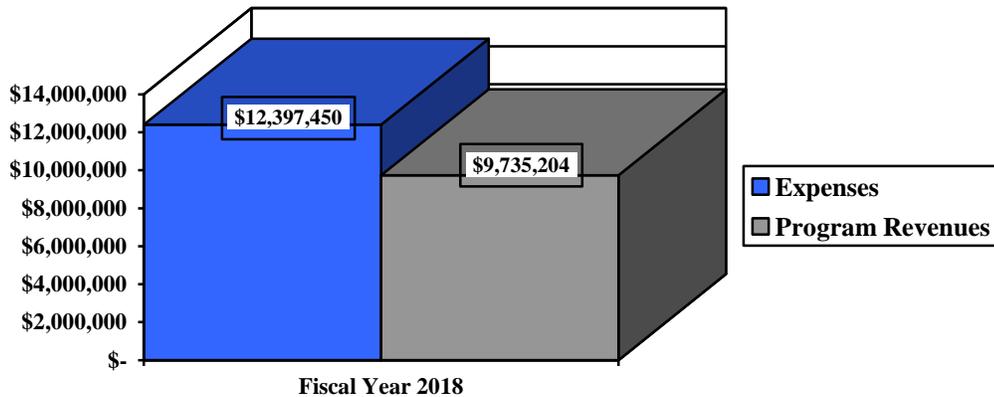
General revenues totaled \$3,336,740 and amounted to 25.53% of total governmental revenues. These revenues primarily consist of contractual allocations from participating local governments. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues.

**Governmental Activities**

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program Expenses:				
Administration	\$ 1,686,234	\$ 1,346,100	\$ 1,737,325	\$ 1,653,632
Environmental services	3,264,672	1,243,975	3,550,113	1,077,420
Community health services	3,521,104	(748,666)	3,070,772	(106,985)
Medical services	3,922,727	818,124	3,976,758	201,951
Interest and fiscal charges	<u>2,713</u>	<u>2,713</u>	<u>3,560</u>	<u>3,560</u>
<b>Total</b>	<b><u>\$ 12,397,450</u></b>	<b><u>\$ 2,662,246</u></b>	<b><u>\$ 12,338,528</u></b>	<b><u>\$ 2,829,578</u></b>

Program revenues supported 78.53% of total expenses. General revenues for governmental activities are sufficient to cover the remaining expenses, with 21.47% of expenses needing support through contractual allocations from participating local governments and other general revenues. Governmental activities transferred \$320,441 to the business-type activities during 2018. The graph below compares the District's governmental activities program revenues and total expenses for 2018.

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



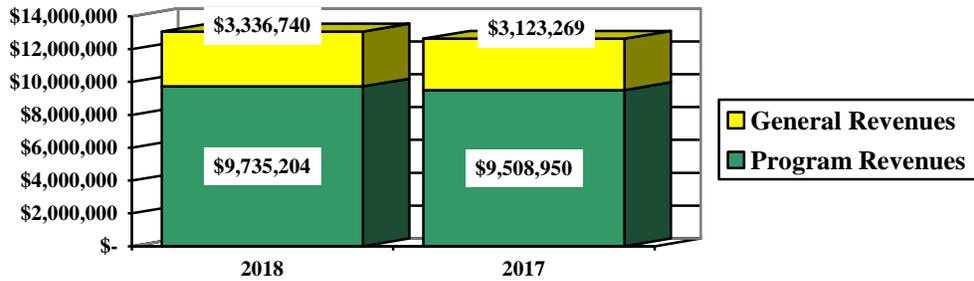
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**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

The graph below compares the District's governmental activities general revenues and program revenues for fiscal year 2018.

**Governmental Activities – General and Program Revenues**

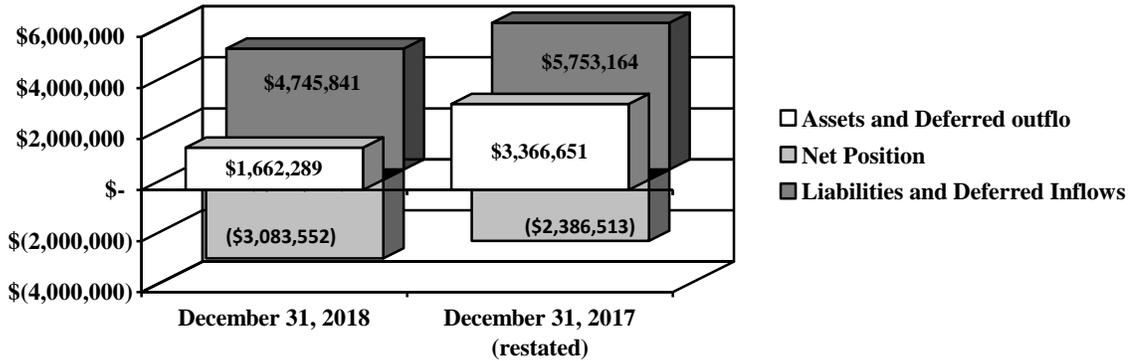


**Business-type Activities**

Business-type activities only include operations of the Federally Qualified Health Center. This program had program revenues of \$1,738,251 and expenses of \$2,778,951 for 2018.

The graph below shows the business-type activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end. The net position at December 31, 2017 has been restated as described in Note 3A.

**Net Position in Business – Type Activities**



Expenses of the business-type activities were \$2,778,951 for 2018. Charges for services revenue accounted for 65.68% of total revenues for business-type activities. Operating grants and contributions accounted for 33.00% of total business-type revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

**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 pages 21-22) reported a combined fund balance of \$3,031,040 which is \$2,128,339 more than last year's total of \$902,701. The schedule below indicates the fund balances as of December 31, 2018 and 2017 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/18</u>	Fund Balances (Deficit) <u>12/31/17</u>	Increase (Decrease)
Major Funds:			
General	\$ 1,546,963	\$ 692,271	\$ 854,692
WIC	(108,871)	(211,563)	102,692
Miscellaneous Grants	954,434	25,870	928,564
Environmental Fees	568,298	458,746	109,552
Nonmajor Governmental	<u>70,216</u>	<u>(62,623)</u>	<u>132,839</u>
Total	<u>\$ 3,031,040</u>	<u>\$ 902,701</u>	<u>\$ 2,128,339</u>

**General Fund**

The District's General Fund balance increased \$854,692 from 2017. The table that follows assists in illustrating the revenues of the General Fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<b>Revenues</b>				
Charges for services	\$ 628,086	\$ 576,294	\$ 51,792	8.99 %
Intergovernmental	3,882,371	3,732,520	149,851	4.01 %
Contributions and donations	850	22,614	(21,764)	(96.24) %
Other	<u>-</u>	<u>26,901</u>	<u>(26,901)</u>	(100.00) %
Total	<u>\$ 4,511,307</u>	<u>\$ 4,358,329</u>	<u>\$ 152,978</u>	3.51 %

Overall, revenue increased 3.51% from the prior year. Intergovernmental revenue increased 4.01% due to increased receipts from the Health Department's contractual allocation. Charges for services revenue increased 8.99% due to an increase in administrative and Vital Statistics fees received. Contributions and donations revenue decreased 96.24% due to a donation from the Lucas County Board of Mental Health & Recovery Services for the purchase of syringes that occurred in 2017 and not 2018. Other revenues decreased 100% due to receiving a refund from the Ohio Bureau of Worker's Compensation in 2017 and not in 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

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

	2018 Amount	2017 Amount	Increase/ (Decrease)	Percentage Change
<b><u>Expenditures</u></b>				
Current:				
Administration	\$ 1,499,430	\$ 1,486,795	\$ 12,635	0.85 %
Environmental services	426,856	295,689	131,167	44.36 %
Community health services	356,442	343,325	13,117	3.82 %
Medical services	605,773	756,165	(150,392)	(19.89) %
Debt service:				
Principal retirement	21,647	20,800	847	4.07 %
Interest and fiscal charges	2,713	3,560	(847)	(23.79) %
<b>Total</b>	<b>\$ 2,912,861</b>	<b>\$ 2,906,334</b>	<b>\$ 6,527</b>	<b>0.22 %</b>

Overall, expenditures increased 0.22%. Medical services expense decreased \$150,392, or 19.89% as a result of decreased costs for providing medical services. Environmental services increased \$131,167, or 44.36% from the prior year, due to increased costs associated with the health homes program department. All other expenditures remained consistent with prior year amounts.

The General Fund also had \$763,754 in transfers to other funds.

***WIC Fund***

The WIC Fund, a District major fund, had \$2,411,266 in revenues and \$2,308,574 in expenditures. During 2018, the WIC Fund balance increased \$102,692 from a deficit balance of \$211,563 to a deficit balance of \$108,871.

***Miscellaneous Grant Fund***

The Miscellaneous Grant Fund, a District major fund, had \$1,927,324 in revenues and \$998,760 in expenditures. During 2018, the Miscellaneous Grant Fund balance increased \$928,564 from a fund balance of \$25,870 to a balance of \$954,434.

***Environmental Fees Fund***

The Environmental Fees Fund, a District major fund, had \$2,393,266 in revenues and other financing sources and \$2,283,714 in expenditures. During 2018, the Environmental Fees Fund balance increased \$109,552 from a fund balance of \$458,746 to a balance of \$568,298.

***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 2018, the District amended its General Fund budget. For the General Fund, original and final budgeted revenues and other financing sources were both \$5,014,990. Actual revenues and other financing sources for 2018 were \$6,593,424. This represents a \$1,578,434 increase from final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)

General Fund original appropriations totaled \$5,062,883 and final appropriations and other financing uses totaled \$4,113,085. The actual budget basis expenditures and other financing uses for 2018 totaled \$5,376,041, which was \$1,262,956 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 2018, the District had \$184,819 (net of accumulated depreciation) invested in furniture, fixtures and equipment, and vehicles. Of this total, \$166,041 was reported in the governmental activities and \$18,778 was reported in business-type activities. The following table shows 2018 balances compared to 2017:

	<b>Capital Assets at December 31 (Net of Depreciation)</b>			
	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Furniture, fixtures and equipment	\$ 125,622	\$ 125,668	\$ 18,778	\$ 21,550
Vehicles	40,419	66,942	-	-
<b>Total</b>	<b>\$ 166,041</b>	<b>\$ 192,610</b>	<b>\$ 18,778</b>	<b>\$ 21,550</b>

The decrease in capital assets is the result of the District reporting additions to capital assets of \$47,110 being less than 2018 depreciation expense of \$66,944 government-wide.

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

***Debt Administration***

The District had \$56,025 for a copier capital lease obligation at December 31, 2018 in governmental activities.

**Current Financial Related Activities**

As of June 30, 2018, the Lucas County Regional Health District (dba Toledo-Lucas County Health Department) made the decision to no longer be a Federally Qualified Health Center (FQHC) applicant. This resulted in the District retaining the clinics that are closely related to public health while separating from those clinics which focus on direct patient care that did not directly align with the core mission of the population public health. The separated clinics will be assimilated into a new, stand-alone FQHC under the direction of the Health Partners of Western Ohio.

The Opiate epidemic remains a significant threat to our community. The District is working diligently with our community partners to reduce and eliminate its impact. We are the leading local agency providing education and distribution of Naloxone to police, fire, EMS, and the public. If readily available during an overdose, Naloxone can save a life.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018  
(UNAUDITED)**

The District is in support of raising the age to buy tobacco products from 18 to 21 years of age. We are marketing this issue and meeting with local communities to drive this grass roots programmatic approach which is supported by grant funding.

The Environmental Health Division continues to ensure safe food is available across our community through inspections and education of food operators on best and required practices found in the food code. We are dedicated to preventing and reducing the impact of foodborne disease outbreaks to make sure all Lucas County residents and visitors can enjoy safe dining and cooking experiences with friends and family. Our Lead Prevention Program assists the public through the funding of risk assessments and the abatement of lead contaminated homes. Additionally, the District is currently crafting procedures and working with stakeholders to implement an Operations and Maintenance Program in the water quality program to ensure safely maintained and managed septic systems for property owners who cannot connect to a local sewer system.

The District continues to be a key contributor on planning committees that deal with mass disaster or terrorism threats to ensure our community is prepared to handle and recover from any issue we may face. In addition, the District is looking to collaborate with academia on research topics that are specific to public health issues in Lucas County.

The District's staff remain one of the most dedicated and well-trained groups of people in their profession. It is their commitment to the Public Health needs of our community that's the main driving force behind the District's success.

**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, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	\$ 2,187,823	\$ 627,800	\$ 2,815,623
Receivables:			
Accounts . . . . .	566,115	206,280	772,395
Due from other governments . . . . .	726,977	-	726,977
Materials and supplies inventory . . . . .	-	78,394	78,394
Prepayments . . . . .	6,924	-	6,924
Net pension asset (See Note 12) . . . . .	119,544	37,007	156,551
Capital assets:			
Depreciable capital assets, net . . . . .	166,041	18,778	184,819
Total assets . . . . .	<u>3,773,424</u>	<u>968,259</u>	<u>4,741,683</u>
<b>Deferred outflows of resources:</b>			
Pension (See Note 12) . . . . .	1,915,527	586,001	2,501,528
OPEB (See Note 13) . . . . .	581,426	108,029	689,455
Total deferred outflows of resources . . . . .	<u>2,496,953</u>	<u>694,030</u>	<u>3,190,983</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	169,611	4,827	174,438
Accrued wages and benefits payable . . . . .	104,956	12,065	117,021
Due to other governments . . . . .	74,439	9,205	83,644
Long-term liabilities:			
Due within one year . . . . .	464,213	118,100	582,313
Due in more than one year			
Net pension liability (See Note 12) . . . . .	6,297,894	1,949,634	8,247,528
Net OPEB liability (See Note 13) . . . . .	4,571,513	1,415,199	5,986,712
Other amounts due in more than one year . . . . .	414,587	60,107	474,694
Total liabilities . . . . .	<u>12,097,213</u>	<u>3,569,137</u>	<u>15,666,350</u>
<b>Deferred inflows of resources:</b>			
Pension (See Note 12) . . . . .	1,782,242	818,961	2,601,203
OPEB (See Note 13) . . . . .	340,547	357,743	698,290
Total deferred inflows of resources . . . . .	<u>2,122,789</u>	<u>1,176,704</u>	<u>3,299,493</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	110,016	18,778	128,794
Restricted for:			
Medicaid administrative claiming . . . . .	52,314	-	52,314
Other purposes . . . . .	392	-	392
Unrestricted (deficit) . . . . .	<u>(8,112,347)</u>	<u>(3,102,330)</u>	<u>(11,214,677)</u>
Total net position (deficit) . . . . .	<u>\$ (7,949,625)</u>	<u>\$ (3,083,552)</u>	<u>\$ (11,033,177)</u>

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, 2018

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Administration . . . . .	\$ 1,686,234	\$ 15,795	\$ 324,339
Environmental Public Health . . . . .	3,264,672	1,756,749	263,948
Community Public Health . . . . .	3,521,104	611,402	3,658,368
Medical Health Services . . . . .	3,922,727	655	3,103,948
Interest and fiscal charges . . . . .	2,713	-	-
Total governmental activities . . . . .	12,397,450	2,384,601	7,350,603
<b>Business-type activities:</b>			
Federally Qualified Health Center . . . . .	2,778,951	1,157,020	581,231
Totals . . . . .	\$ 15,176,401	\$ 3,541,621	\$ 7,931,834
<b>General revenues:</b>			
Grants and entitlements not restricted to specific programs . . . . .			
Gain on sale of capital assets . . . . .			
Miscellaneous . . . . .			
Total general revenues . . . . .			
Transfers . . . . .			
Total general revenues and transfers . . . . .			
Change in net position . . . . .			
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>			
<b>Net position (deficit) at end of year . . . . .</b>			

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,346,100)	\$ -	\$ (1,346,100)
(1,243,975)	-	(1,243,975)
748,666	-	748,666
(818,124)	-	(818,124)
(2,713)	-	(2,713)
<u>(2,662,246)</u>	<u>-</u>	<u>(2,662,246)</u>
-	(1,040,700)	(1,040,700)
<u>(2,662,246)</u>	<u>(1,040,700)</u>	<u>(3,702,946)</u>
3,326,247	-	3,326,247
10,493	-	10,493
-	23,220	23,220
<u>3,336,740</u>	<u>23,220</u>	<u>3,359,960</u>
<u>(320,441)</u>	<u>320,441</u>	<u>-</u>
<u>3,016,299</u>	<u>343,661</u>	<u>3,359,960</u>
354,053	(697,039)	(342,986)
<u>(8,303,678)</u>	<u>(2,386,513)</u>	<u>(10,690,191)</u>
<u>\$ (7,949,625)</u>	<u>\$ (3,083,552)</u>	<u>\$ (11,033,177)</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Miscellaneous Grant Fund</u>	<u>Environmental Fees</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	\$ 1,074,032	\$ -	\$ 353,707	\$ 609,458
Receivables:				
Accounts . . . . .	11,152	-	523,675	20,224
Interfund loans . . . . .	510,225	-	-	-
Due from other governments . . . . .	8,000	277,834	174,873	1,625
Prepayments . . . . .	6,924	-	-	-
Total assets . . . . .	<u>\$ 1,610,333</u>	<u>\$ 277,834</u>	<u>\$ 1,052,255</u>	<u>\$ 631,307</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 15,886	\$ 93,298	\$ 13,857	\$ 7,802
Accrued wages and benefits payable . . . . .	30,280	11,863	12,949	31,305
Due to other governments . . . . .	16,764	9,434	12,088	23,902
Interfund loans payable . . . . .	-	272,110	5,892	-
Total liabilities . . . . .	<u>62,930</u>	<u>386,705</u>	<u>44,786</u>	<u>63,009</u>
<b>Deferred inflows of resources:</b>				
Intergovernmental revenue not available . . . . .	440	-	53,035	-
Miscellaneous revenue not available . . . . .	-	-	-	-
Non-governmental grant revenue not available . . . . .	-	-	-	-
Total deferred inflows of resources . . . . .	<u>440</u>	<u>-</u>	<u>53,035</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	6,924	-	-	-
Restricted . . . . .	16,993	-	954,434	568,298
Committed . . . . .	21,412	-	-	-
Assigned . . . . .	27,309	-	-	-
Unassigned (deficit) . . . . .	<u>1,474,325</u>	<u>(108,871)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit) . . . . .	<u>1,546,963</u>	<u>(108,871)</u>	<u>954,434</u>	<u>568,298</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 1,610,333</u>	<u>\$ 277,834</u>	<u>\$ 1,052,255</u>	<u>\$ 631,307</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 150,626	\$ 2,187,823
11,064	566,115
-	510,225
264,645	726,977
-	6,924
<u>\$ 426,335</u>	<u>\$ 3,998,064</u>
\$ 38,768	\$ 169,611
18,559	104,956
12,251	74,439
232,223	510,225
<u>301,801</u>	<u>859,231</u>
52,314	105,789
69	69
1,935	1,935
<u>54,318</u>	<u>107,793</u>
-	6,924
173,441	1,713,166
-	21,412
-	27,309
<u>(103,225)</u>	<u>1,262,229</u>
<u>70,216</u>	<u>3,031,040</u>
<u>\$ 426,335</u>	<u>\$ 3,998,064</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2018

<b>Total governmental fund balances</b>		\$	3,031,040
<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.			166,041
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Accounts receivable	\$	2,004	
Intergovernmental receivable		105,789	
Total		107,793	107,793
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		1,915,527	
Deferred inflows of resources		(1,782,242)	
Net pension asset		119,544	
Net pension liability		(6,297,894)	
Total		(6,045,065)	(6,045,065)
The net OPEB liability is not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources		581,426	
Deferred inflows of resources		(340,547)	
Net OPEB liability		(4,571,513)	
Total		(4,330,634)	(4,330,634)
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		(822,775)	
Capital lease payable		(56,025)	
Total		(878,800)	(878,800)
<b>Net position (deficit) of governmental activities</b>		\$	(7,949,625)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2018

	<u>General</u>	<u>Women, Infants, and Children (WIC)</u>	<u>Miscellaneous Grant Fund</u>	<u>Environmental Fees</u>
<b>Revenues:</b>				
Charges for services . . . . .	\$ 628,086	\$ -	\$ -	\$ 377,038
Licenses and permits . . . . .	-	-	-	1,377,212
Fines and forfeitures . . . . .	-	-	-	2,295
Intergovernmental . . . . .	3,882,371	2,411,266	917,332	188,400
Contributions and donations . . . . .	850	-	-	4,514
Grants non-governmental . . . . .	-	-	1,009,992	-
Other . . . . .	-	-	-	494
Total revenues . . . . .	<u>4,511,307</u>	<u>2,411,266</u>	<u>1,927,324</u>	<u>1,949,953</u>
<b>Expenditures:</b>				
Current:				
Administration . . . . .	1,499,430	-	-	-
Environmental Public Health . . . . .	426,856	-	64,427	2,283,714
Community Public Health . . . . .	356,442	-	877,606	-
Medical Health Services . . . . .	605,773	2,308,574	56,727	-
Debt service:				
Principal retirement . . . . .	21,647	-	-	-
Interest and fiscal charges . . . . .	2,713	-	-	-
Total expenditures . . . . .	<u>2,912,861</u>	<u>2,308,574</u>	<u>998,760</u>	<u>2,283,714</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,598,446</u>	<u>102,692</u>	<u>928,564</u>	<u>(333,761)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	20,000	-	-	-
Transfers in . . . . .	-	-	-	443,313
Transfers (out) . . . . .	(763,754)	-	-	-
Total other financing sources (uses) . . . . .	<u>(743,754)</u>	<u>-</u>	<u>-</u>	<u>443,313</u>
Net change in fund balances . . . . .	854,692	102,692	928,564	109,552
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	692,271	(211,563)	25,870	458,746
Fund balances (deficit) at end of year . . . . .	<u>\$ 1,546,963</u>	<u>\$ (108,871)</u>	<u>\$ 954,434</u>	<u>\$ 568,298</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,005,124
-	1,377,212
-	2,295
2,574,932	9,974,301
8,275	13,639
58,950	1,068,942
509	1,003
<u>2,642,666</u>	<u>13,442,516</u>
-	1,499,430
-	2,774,997
1,858,841	3,092,889
650,986	3,622,060
-	21,647
-	2,713
<u>2,509,827</u>	<u>11,013,736</u>
<u>132,839</u>	<u>2,428,780</u>
-	20,000
-	443,313
-	(763,754)
-	(300,441)
132,839	2,128,339
(62,623)	902,701
<u>\$ 70,216</u>	<u>\$ 3,031,040</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, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	2,128,339
<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 depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 47,110	
Current year depreciation	<u>(64,172)</u>	
Total		(17,062)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(9,507)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenues	(381,799)	
Other	<u>734</u>	
Total		(381,065)
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.		
		21,647
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	719,851	
OPEB	<u>12,551</u>	
Total		732,402
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,605,498)	
OPEB	<u>(495,144)</u>	
Total		(2,100,642)
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>(20,059)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>354,053</u></u></b>

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, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	\$ 478,398	\$ 478,398	\$ 628,971	\$ 150,573
Intergovernmental . . . . .	2,814,247	2,814,247	3,700,012	885,765
Contributions and donations . . . . .	647	647	850	203
Other . . . . .	<u>(26,097)</u>	<u>(26,097)</u>	<u>(34,311)</u>	<u>(8,214)</u>
Total revenues . . . . .	<u>3,267,195</u>	<u>3,267,195</u>	<u>4,295,522</u>	<u>1,028,327</u>
<b>Expenditures:</b>				
Current:				
Administration . . . . .	3,576,427	1,775,760	1,552,884	222,876
Environmental public health . . . . .	252,303	437,117	414,972	22,145
Community public health . . . . .	499,356	401,652	357,018	44,634
Medical health services . . . . .	<u>734,797</u>	<u>635,040</u>	<u>628,418</u>	<u>6,622</u>
Total expenditures . . . . .	<u>5,062,883</u>	<u>3,249,569</u>	<u>2,953,292</u>	<u>296,277</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,795,688)</u>	<u>17,626</u>	<u>1,342,230</u>	<u>1,324,604</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	15,212	15,212	20,000	4,788
Advances in . . . . .	292,206	292,206	384,176	91,970
Advances (out) . . . . .	-	(200,000)	(5,892)	194,108
Transfers in . . . . .	1,440,377	1,440,377	1,893,726	453,349
Transfers (out) . . . . .	<u>-</u>	<u>(663,516)</u>	<u>(2,416,857)</u>	<u>(1,753,341)</u>
Total other financing sources (uses) . . . . .	<u>1,747,795</u>	<u>884,279</u>	<u>(124,847)</u>	<u>(1,009,126)</u>
Net change in fund balance . . . . .	(47,893)	901,905	1,217,383	315,478
<b>Fund balance at beginning of year . . . . .</b>	273,318	273,318	273,318	-
<b>Prior year encumbrances appropriated . . . . .</b>	47,893	47,893	47,893	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 273,318</u>	<u>\$ 1,223,116</u>	<u>\$ 1,538,594</u>	<u>\$ 315,478</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 2,023,868	\$ 4,173,551	\$ 2,240,552	\$ (1,932,999)
<b>Expenditures:</b>				
Current:				
Medical health services . . . . .	<u>2,023,868</u>	<u>4,173,551</u>	<u>3,443,490</u>	<u>730,061</u>
Net change in fund balance . . . . .	-	-	(1,202,938)	(1,202,938)
<b>Fund balance (deficit) at beginning of year . . . .</b>	(1,279,592)	(1,279,592)	(1,279,592)	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>1,172,158</u>	<u>1,172,158</u>	<u>1,172,158</u>	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (107,434)</u>	<u>\$ (107,434)</u>	<u>\$ (1,310,372)</u>	<u>\$ (1,202,938)</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)  
MISCELLANEOUS GRANT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 1,227,357	\$ 2,758,967	\$ 972,949	\$ (1,786,018)
Grants non-governmental . . . . .	619,787	1,393,215	491,317	(901,898)
Total revenues . . . . .	<u>1,847,144</u>	<u>4,152,182</u>	<u>1,464,266</u>	<u>(2,687,916)</u>
<b>Expenditures:</b>				
Current:				
Environmental public health . . . . .	110,747	248,948	138,257	110,691
Community public health . . . . .	1,302,438	2,927,739	1,625,965	1,301,774
Medical health services . . . . .	46,153	103,748	57,618	46,130
Total expenditures . . . . .	<u>1,459,338</u>	<u>3,280,435</u>	<u>1,821,840</u>	<u>1,458,595</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>387,806</u>	<u>871,747</u>	<u>(357,574)</u>	<u>(1,229,321)</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	7,433	16,708	5,892	(10,816)
Advances (out) . . . . .	(307,734)	(691,754)	(384,176)	307,578
Transfers (out) . . . . .	(87,505)	(196,701)	(109,241)	87,460
Total other financing sources (uses) . . . . .	<u>(387,806)</u>	<u>(871,747)</u>	<u>(487,525)</u>	<u>384,222</u>
Net change in fund balances . . . . .	-	-	(845,099)	(845,099)
<b>Fund balance at beginning of year . . . . .</b>	346,712	346,712	346,712	-
<b>Prior year encumbrances appropriated . . . . .</b>	78,727	78,727	78,727	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 425,439</u>	<u>\$ 425,439</u>	<u>\$ (419,660)</u>	<u>\$ (845,099)</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 473,003	\$ 378,380	\$ 378,380	\$ -
Licenses and permits . . . . .	1,751,704	1,401,282	1,401,282	-
Fines and forfeitures . . . . .	2,869	2,295	2,295	-
Intergovernmental . . . . .	233,482	186,775	186,775	-
Contributions and donations . . . . .	5,643	4,514	4,514	-
Other . . . . .	618	494	494	-
<b>Total revenues . . . . .</b>	<u>2,467,319</u>	<u>1,973,740</u>	<u>1,973,740</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Environmental services . . . . .	2,676,165	2,325,914	2,281,003	44,911
<b>Excess of expenditures over revenues . . . . .</b>	<u>(208,846)</u>	<u>(352,174)</u>	<u>(307,263)</u>	<u>44,911</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	554,174	443,313	443,313	-
<b>Net change in fund balance . . . . .</b>	345,328	91,139	136,050	44,911
<b>Fund balances at beginning of year . . . . .</b>	471,271	471,271	471,271	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,359	1,359	1,359	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 817,958</u>	<u>\$ 563,769</u>	<u>\$ 608,680</u>	<u>\$ 44,911</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, 2018

	<b>Enterprise</b>
	<b>Federally Qualified Health Center</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	
with fiscal agent . . . . .	\$ 627,800
Receivables:	
Accounts . . . . .	206,280
Materials and supplies inventory . . . . .	78,394
Total current assets . . . . .	912,474
Noncurrent assets:	
Net pension asset (See Note 12) . . . . .	37,007
Capital assets:	
Depreciable capital assets, net . . . . .	18,778
Total noncurrent assets . . . . .	55,785
Total assets . . . . .	968,259
<b>Deferred outflows of resources:</b>	
Pension (See Note 12) . . . . .	586,001
OPEB (See Note 13) . . . . .	108,029
Total deferred outflows of resources . . . . .	694,030
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable . . . . .	4,827
Accrued wages and benefits payable . . . . .	12,065
Due to other governments . . . . .	9,205
Compensated absences payable - current . . . . .	118,100
Total current liabilities . . . . .	144,197
Long-term liabilities:	
Compensated absences payable . . . . .	60,107
Net pension liability (See Note 12) . . . . .	1,949,634
Net OPEB liability (See Note 13) . . . . .	1,415,199
Total long-term liabilities . . . . .	3,424,940
Total liabilities . . . . .	3,569,137
<b>Deferred inflows of resources:</b>	
Pension (See Note 12) . . . . .	818,961
OPEB (See Note 13) . . . . .	357,743
Total deferred inflows of resources . . . . .	1,176,704
<b>Net position:</b>	
Investment in capital assets . . . . .	18,778
Unrestricted (deficit) . . . . .	(3,102,330)
Total net position (deficit) . . . . .	\$ (3,083,552)

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, 2018

	<b>Enterprise</b>
	<b>Federally Qualified Health Center</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,157,020
Other operating revenues . . . . .	23,220
Total operating revenues . . . . .	1,180,240
<b>Operating expenses:</b>	
Personal services . . . . .	1,452,697
Fringe benefits . . . . .	582,731
Contract services . . . . .	243,547
Materials and supplies . . . . .	409,986
Administrative costs . . . . .	85,554
Depreciation . . . . .	2,772
Other . . . . .	1,664
Total operating expenses . . . . .	2,778,951
Operating (loss) . . . . .	(1,598,711)
<b>Nonoperating revenues:</b>	
Grants . . . . .	581,231
Loss before transfers . . . . .	(1,017,480)
Transfer in . . . . .	320,441
Change in net position . . . . .	(697,039)
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>	<b>(2,386,513)</b>
<b>Net position (deficit) at end of year . . . . .</b>	<b>\$ (3,083,552)</b>

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, 2018

	<b>Enterprise</b>
	<b>Federally Qualified Health Center</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,789,213
Cash received from other operations . . . . .	74,805
Cash payments for personal services . . . . .	(1,347,282)
Cash payments for fringe benefits . . . . .	(582,887)
Cash payments for contractual services . . . . .	(287,479)
Cash payments for materials and supplies . . . . .	(361,739)
Cash payments for administrative costs . . . . .	(88,481)
Cash payments for other operating expenses . . . . .	(990)
	(804,840)
<b>Net cash (used in) operating activities . . . . .</b>	
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants . . . . .	581,352
Cash received from transfers in . . . . .	320,441
	901,793
<b>Net cash provided by noncapital financing activities . . . . .</b>	<b>901,793</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>96,953</b>
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>530,847</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 627,800</b>
<b>Reconciliation of operating loss to net cash (used in) operating activities:</b>	
Operating (loss) . . . . .	\$ (1,598,711)
Adjustments:	
Depreciation . . . . .	2,772
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Decrease in accounts receivable . . . . .	683,778
Decrease in materials and supplies inventory . . . . .	51,089
(Increase) in net pension asset . . . . .	(10,626)
Decrease in deferred outflows of resources - pension . . . . .	1,155,028
(Increase) in deferred outflows of resources - OPEB . . . . .	(80,847)
(Decrease) in accounts payable . . . . .	(49,183)
(Decrease) in accrued wages and benefits . . . . .	(33,286)
(Decrease) in due to other governments . . . . .	(23,279)
(Decrease) in compensated absences payable . . . . .	(136,617)
(Decrease) in net pension liability . . . . .	(1,632,441)
(Decrease) in net OPEB liability . . . . .	(274,831)
Increase in deferred inflows of resources - pension . . . . .	784,571
Increase in deferred inflows of resources - OPEB . . . . .	357,743
<b>Net cash (used in) operating activities . . . . .</b>	<b>\$ (804,840)</b>

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, 2018

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents with fiscal agent . . . . .	\$ 246,930
	<u>246,930</u>
<b>Liabilities:</b>	
Undistributed monies . . . . .	\$ 246,930
	<u>246,930</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, 2018

**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; Maternal 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, 2018

**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 deferred outflows of resources 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.

**Miscellaneous Grants Fund** - This fund is used to account for all grant monies that are not accounted for in another fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 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, 2018**

**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, 2018

**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 Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability, respectively.

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 Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. 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, 2018**

**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 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, 2018

**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 their acquisition value. 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  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**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 include personnel costs, contract services, materials and supplies, administrative expenses, depreciation on capital assets, fringe benefits, and other miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise fund reports nonoperating revenues for grants.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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.

**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 2018.

**T. Pensions/Other Postemployment Benefits (OPEB)**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information which is presented after the 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, 2018

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

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position as previously reported	\$ (4,455,637)	\$ (723,665)
Deferred outflows - payments subsequent to measurement date	62,901	27,182
Net OPEB liability	<u>(3,910,942)</u>	<u>(1,690,030)</u>
Restated net position at January 1, 2018	<u>\$ (8,303,678)</u>	<u>\$ (2,386,513)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances / Net Position**

Fund balances at December 31, 2018 included the following individual fund deficits:

<u>Major Governmental Fund</u>	<u>Deficit</u>
Women, Infants, and Children (WIC)	\$ 108,871
<u>Nonmajor Governmental Funds</u>	
Immunization Action Plan	14,507
Public Health Emergency Preparedness	53,648
Creating Healthy Communities	763
Healthy Start	34,307
<u>Major Enterprise Fund</u>	
Federally Qualified Health Center	3,083,552

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

**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, 2018 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, 2018 was \$3,062,553.

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2018 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, 2018. 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>		
General	Child with medical handicapped grant	\$ 8,000
WIC	Grant - federal	277,834
Miscellaneous Grants	Grant - federal	23,398
Miscellaneous Grants	Grant - state	59,254
Miscellaneous Grants	Other	92,221
		<u>174,873</u>
Environmental Fees	Reimbursement	1,625
Nonmajor Governmental	Grants - federal	615,498
Nonmajor Governmental	Grants - state	(384,219)
Nonmajor Governmental	Reimbursement	33,366
		<u>264,645</u>
Total due from other governments		<u>\$ 726,977</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended December 31, 2018, was as follows:

<b><u>Governmental activities:</u></b>	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/18</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 301,437	\$ 47,110	\$ -	\$ 348,547
Vehicles	<u>187,518</u>	<u>-</u>	<u>(26,625)</u>	<u>160,893</u>
Total capital assets, being depreciated	<u>488,955</u>	<u>47,110</u>	<u>(26,625)</u>	<u>509,440</u>
<i>Less: accumulated depreciation:</i>				
Furniture, fixtures and equipment	(175,769)	(47,156)	-	(222,925)
Vehicles	<u>(120,576)</u>	<u>(17,016)</u>	<u>17,118</u>	<u>(120,474)</u>
Total accumulated depreciation	<u>(296,345)</u>	<u>(64,172)</u>	<u>17,118</u>	<u>(343,399)</u>
Total capital assets being depreciated, net	<u>192,610</u>	<u>(17,062)</u>	<u>(9,507)</u>	<u>166,041</u>
Governmental activities capital assets, net	<u>\$ 192,610</u>	<u>\$ (17,062)</u>	<u>\$ (9,507)</u>	<u>\$ 166,041</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
Administration	<u>\$ 64,172</u>

Capital asset activity for business-type activities for the year ended December 31, 2018, was as follows:

<b><u>Business-type activities:</u></b>	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/18</u>
<i>Capital assets, being depreciated:</i>				
Furniture, fixtures and equipment	\$ 27,726	\$ -	\$ -	\$ 27,726
Total capital assets, being depreciated	<u>27,726</u>	<u>-</u>	<u>-</u>	<u>27,726</u>
<i>Less: accumulated depreciation:</i>				
Furniture, fixtures and equipment	(6,176)	(2,772)	-	(8,948)
Total accumulated depreciation	<u>(6,176)</u>	<u>(2,772)</u>	<u>-</u>	<u>(8,948)</u>
Total capital assets being depreciated, net	<u>21,550</u>	<u>(2,772)</u>	<u>-</u>	<u>18,778</u>
Governmental activities capital assets, net	<u>\$ 21,550</u>	<u>\$ (2,772)</u>	<u>\$ -</u>	<u>\$ 18,778</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

**Business-type activities:**

Federally Qualified Health Center \$ 2,772

**NOTE 7 - LONG-TERM OBLIGATIONS**

During 2018, the following activity occurred in the District's governmental and business-type long-term obligations. The long-term obligations at December 31, 2017 have been restated as described in Note 3A.

<u>Governmental Activities:</u>	<u>Restated Balance 12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/18</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 802,716	\$ 438,666	\$ (418,607)	\$ 822,775	\$ 441,684
Capital lease obligation	77,672	-	(21,647)	56,025	22,529
Net pension liability	8,289,370	-	(1,991,476)	6,297,894	-
Net OPEB liability	<u>3,910,942</u>	<u>660,571</u>	<u>-</u>	<u>4,571,513</u>	<u>-</u>
Total	<u>\$ 13,080,700</u>	<u>\$ 1,099,237</u>	<u>\$ (2,431,730)</u>	<u>\$ 11,748,207</u>	<u>\$ 464,213</u>

<u>Business-type Activities:</u>	<u>Restated Balance 12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/18</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 314,824	\$ 34,962	\$ (171,579)	\$ 178,207	\$ 118,100
Net pension liability	3,582,075	-	(1,632,441)	1,949,634	-
Net OPEB liability	<u>1,690,030</u>	<u>-</u>	<u>(274,831)</u>	<u>1,415,199</u>	<u>-</u>
Total	<u>\$ 5,586,929</u>	<u>\$ 34,962</u>	<u>\$ (2,078,851)</u>	<u>\$ 3,543,040</u>	<u>\$ 118,100</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 Notes 12 and 13 for further information on the District's net pension liability and net OPEB liability, respectively. The District pays obligations related to employee compensation from the fund benefitting from their services.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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, 2018 was \$55,195, leaving a current book value of \$55,194.

A corresponding liability was recorded on the statement of net position. In 2018, principal payments of \$21,647 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.

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, 2018:

<u>Year Ending December 31,</u>	<u>Copiers</u>
2019	\$ 24,360
2020	24,360
2021	<u>10,150</u>
Total minimum lease payments	58,870
Less: amount representing interest	<u>(2,845)</u>
Present value of future minimum lease payments	<u>\$ 56,025</u>

**NOTE 9 - INTERFUND TRANSACTIONS**

**A. 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>
<u>Major governmental funds:</u>	
Women, Infants, and Children (WIC) Fund	\$ 272,110
Miscellaneous Grants Fund	5,892
Nonmajor Governmental Funds	<u>232,223</u>
Total	<u>\$ 510,225</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 9 - INTERFUND TRANSACTIONS - (Continued)**

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.

**B. Transfers**

Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported on the fund financial statements.

Transfers to:	<u>Transfers from:</u>
	General Fund
Environmental fees	\$ 443,313
Federally Qualified Health Center	<u>320,441</u>
Total	<u>\$ 763,754</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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	\$ 27,309
Women, Infants, and Children	946,258
Miscellaneous Grants	764,890
Environmental Fees	778
Nonmajor Governmental	<u>206,714</u>
Total	<u>\$ 1,945,949</u>

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

*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.

GASB 68 assumes any net pension liability/asset 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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.

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):

after January 7, 2013	ten years after January 7, 2013	January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 3.00% 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 2.25%.

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 1.00% 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 2.25% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$942,695 for 2018. Of this amount, \$80,543 is reported as due to other governments.

**Net 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, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, 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. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
Proportion of the net pension liability/asset prior measurement date	0.05227800%	0.15218100%	0.65550000%	
Proportion of the net pension liability/asset current measurement date	<u>0.05257200%</u>	<u>0.11313400%</u>	<u>0.07273600%</u>	
Change in proportionate share	<u>0.00029400%</u>	<u>-0.03904700%</u>	<u>-0.58276400%</u>	
Proportionate share of the net pension liability	\$ 8,247,528	\$ -	\$ -	\$ 8,247,528
Proportionate share of the net pension asset	-	(154,012)	(2,539)	(156,551)
Pension expense	2,100,835	24,864	(825)	2,124,874

Of the District's proportionate share of the net pension liability of \$8,247,528, \$6,297,894 is reported in the governmental activities and \$1,949,634 is reported in the business-type activities.

Of the District's proportionate share of the net pension asset of \$156,551, \$119,544 is reported in the governmental activities and \$37,007 is reported in the business-type activities.

Of the \$2,124,874 reported as pension expense, \$1,605,498 relates to governmental activities and \$519,376 relates to business-type activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
<b>Deferred outflows of resources</b>				
Differences between expected and actual experience	\$ 8,422	\$ -	\$ 4,937	\$ 13,359
Changes of assumptions	985,635	13,458	301	999,394
Changes in employer's proportionate percentage/ difference between employer contributions	546,080	-	-	546,080
District contributions subsequent to the measurement date	842,734	58,871	41,090	942,695
Total deferred outflows of resources	<u>\$ 2,382,871</u>	<u>\$ 72,329</u>	<u>\$ 46,328</u>	<u>\$ 2,501,528</u>
<b>Deferred inflows of resources</b>				
Differences between expected and actual experience	\$ 162,533	\$ 45,880	\$ -	\$ 208,413
Net difference between projected and actual earnings on pension plan investments	1,770,636	24,300	713	1,795,649
Changes in employer's proportionate percentage/ difference between employer contributions	597,141	-	-	597,141
Total deferred inflows of resources	<u>\$ 2,530,310</u>	<u>\$ 70,180</u>	<u>\$ 713</u>	<u>\$ 2,601,203</u>

\$942,695 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, 2019. Of the amount reported as contributions subsequent to the measurement date, \$719,851 relates to governmental activities and \$222,844 relates to business-type activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	Total
2019	\$ 683,440	\$ (7,727)	\$ 566	\$ 676,279
2020	(166,339)	(8,390)	551	(174,178)
2021	(779,694)	(13,832)	452	(793,074)
2022	(727,580)	(13,259)	468	(740,371)
2023	-	(4,727)	685	(4,042)
Thereafter	-	(8,787)	1,803	(6,984)
<b>Total</b>	<b>\$ (990,173)</b>	<b>\$ (56,722)</b>	<b>\$ 4,525</b>	<b>\$ (1,042,370)</b>

**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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

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 2017 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 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for 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.

**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 7.50%, 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 (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 14,645,508	\$ 8,247,528	\$ 2,913,540
Combined Plan	(83,719)	(154,012)	(202,510)
Member-Directed Plan	(1,455)	(2,539)	(3,637)

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability 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 these estimates annually.

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 OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

The District's contractually required contribution was \$16,436 for 2018. Of this amount, \$1,404 is reported as due to other governments.

***Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the net OPEB liability prior measurement date	0.05545300%
Proportion of the net OPEB liability current measurement date	<u>0.05513000%</u>
Change in proportionate share	<u><u>-0.00032300%</u></u>
Proportionate share of the net OPEB liability	\$ 5,986,712
OPEB expense	\$ 501,094

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Of the District's proportionate share of the net OPEB liability of \$5,986,712, \$4,571,513 is reported in the governmental activities and \$1,415,199 is reported in the business-type activities.

Of the \$501,094 reported as OPEB expense, \$495,144 relates to governmental activities and \$5,950 relates to business-type activities.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred outflows of resources</b>	
Differences between expected and actual experience	\$ 4,663
Changes of assumptions	435,897
Changes in employer's proportionate percentage/difference between employer contributions	232,459
District contributions subsequent to the measurement date	16,436
Total deferred outflows of resources	\$ 689,455
<b>Deferred inflows of resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$ 445,970
Changes in employer's proportionate percentage/difference between employer contributions	252,320
Total deferred inflows of resources	\$ 698,290

\$16,436 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Of the amount reported as contributions subsequent to the measurement date, \$12,551 relates to governmental activities and \$3,885 relates to business-type activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	OPERS
Year Ending December 31:	
2019	\$ 89,645
2020	89,645
2021	(93,070)
2022	(111,491)
Total	\$ (25,271)

***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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease (2.85%)</u>	<u>Current Discount Rate (3.85%)</u>	<u>1% Increase (4.85%)</u>
District's proportionate share of the net OPEB liability	\$ 7,953,605	\$ 5,986,712	\$ 4,395,515

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate* Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,728,007	\$ 5,986,712	\$ 6,253,947

**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, 2018.

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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	Miscellaneous Grants Fund	Environmental Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepayments	\$ 6,924	\$ -	\$ -	\$ -	\$ -	\$ 6,924
Restricted:						
Clinical programs	-	-	24,466	-	126,073	150,539
Environmental programs	-	-	27,787	568,298	392	596,477
Community programs	16,993	-	902,181	-	46,976	966,150
Total restricted	<u>16,993</u>	<u>-</u>	<u>954,434</u>	<u>568,298</u>	<u>173,441</u>	<u>1,713,166</u>
Committed:						
Clinical programs	15,521	-	-	-	-	15,521
Environmental programs	5,891	-	-	-	-	5,891
Total committed	<u>21,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,412</u>
Assigned:						
Clinical programs	50	-	-	-	-	50
Environmental programs	833	-	-	-	-	833
Community health programs	105	-	-	-	-	105
Administration	26,321	-	-	-	-	26,321
Total assigned	<u>27,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,309</u>
Unassigned (deficit)	<u>1,474,325</u>	<u>(108,871)</u>	<u>-</u>	<u>-</u>	<u>(103,225)</u>	<u>1,262,229</u>
Total fund balances (deficit)	<u>\$ 1,546,963</u>	<u>\$ (108,871)</u>	<u>\$ 954,434</u>	<u>\$ 568,298</u>	<u>\$ 70,216</u>	<u>\$ 3,031,040</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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	Miscellaneous Grants Fund	Environmental Fees Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Budget basis	\$ 1,217,383	\$ (1,202,938)	\$ (845,099)	\$ 136,050
Net adjustment for revenue accruals	215,785	170,714	463,058	(23,787)
Net adjustment for expenditure accruals	660	96,654	49,713	(3,489)
Net adjustment for other financing sources/(uses) accruals	(618,907)	-	487,525	-
Encumbrances	<u>39,771</u>	<u>1,038,262</u>	<u>773,367</u>	<u>778</u>
GAAP basis	<u>\$ 854,692</u>	<u>\$ 102,692</u>	<u>\$ 928,564</u>	<u>\$ 109,552</u>

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

SCHEDULES OF THE 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 FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
District's proportion of the net pension liability	0.052572%	0.052278%	0.052733%	0.043174%	0.043174%
District's proportionate share of the net pension liability	\$ 8,247,528	\$ 11,871,445	\$ 9,134,020	\$ 5,207,267	\$ 5,089,652
District's covered payroll	\$ 6,950,369	\$ 6,557,275	\$ 7,325,283	\$ 5,715,592	\$ 5,121,985
District's proportionate share of the net pension liability as a percentage of its covered payroll	118.66%	181.04%	124.69%	91.11%	99.37%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>					
District's proportion of the net pension asset	0.113134%	0.152181%	0.125450%	0.081099%	0.081099%
District's proportionate share of the net pension asset	\$ 154,012	\$ 84,699	\$ 61,047	\$ 31,225	\$ 8,510
District's covered payroll	\$ 463,338	\$ 592,375	\$ 286,675	\$ 296,450	\$ 243,415
District's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	21.29%	10.53%	3.50%
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>					
District's proportion of the net pension asset	0.072736%	0.655500%	0.064203%	n/a	n/a
District's proportionate share of the net pension asset	\$ 2,539	\$ 2,730	\$ 245	n/a	n/a
District's covered payroll	\$ 398,660	\$ 269,392	\$ 357,567	n/a	n/a
District's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	1.01%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	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 fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 842,734	\$ 903,548	\$ 786,873	\$ 879,034
Contributions in relation to the contractually required contribution	<u>(842,734)</u>	<u>(903,548)</u>	<u>(786,873)</u>	<u>(879,034)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,019,529	\$ 6,950,369	\$ 6,557,275	\$ 7,325,283
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 58,871	\$ 60,234	\$ 71,085	\$ 34,401
Contributions in relation to the contractually required contribution	<u>(58,871)</u>	<u>(60,234)</u>	<u>(71,085)</u>	<u>(34,401)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 420,507	\$ 463,338	\$ 592,375	\$ 286,675
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 41,090	\$ 39,866	\$ 32,327	\$ 42,908
Contributions in relation to the contractually required contribution	<u>(41,090)</u>	<u>(39,866)</u>	<u>(32,327)</u>	<u>(42,908)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 410,900	\$ 398,660	\$ 269,392	\$ 357,567
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	12.00%

Note: Information prior to 2010 for the District's traditional plan and combined plan and prior to 2015 for the District's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 685,871	\$ 665,858	\$ 521,711	\$ 597,859	\$ 532,309
<u>(685,871)</u>	<u>(665,858)</u>	<u>(521,711)</u>	<u>(597,859)</u>	<u>(532,309)</u>
<u>\$ -</u>				
\$ 5,715,592	\$ 5,121,985	\$ 5,217,110	\$ 5,978,590	\$ 5,967,590
12.00%	13.00%	10.00%	10.00%	8.92%
\$ 35,574	\$ 31,644	\$ 18,283	\$ 21,515	\$ 24,841
<u>(35,574)</u>	<u>(31,644)</u>	<u>(18,283)</u>	<u>(21,515)</u>	<u>(24,841)</u>
<u>\$ -</u>				
\$ 296,450	\$ 243,415	\$ 229,975	\$ 270,629	\$ 256,357
12.00%	13.00%	7.95%	7.95%	9.69%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.055130%	0.055453%
District's proportionate share of the net OPEB liability	\$ 5,986,712	\$ 5,600,972
District's covered payroll	\$ 7,812,367	\$ 7,419,042
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.63%	75.49%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,436	\$ 90,083	\$ 158,306	\$ 152,239	\$ 114,731
Contributions in relation to the contractually required contribution	<u>(16,436)</u>	<u>(90,083)</u>	<u>(158,306)</u>	<u>(152,239)</u>	<u>(114,731)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,850,936	\$ 7,812,367	\$ 7,419,042	\$ 7,969,525	\$ 6,012,042
Contributions as a percentage of covered payroll	0.24%	1.15%	2.13%	1.91%	1.91%

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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2018.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2018.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE (AG)</b>				
<i>Passed Through Ohio Department of Health</i>				
WIC Special Supplemental Nutrition Program for Women, Infants and Children (H24XX)	10.557	048-1-001-1-WA	1,324,615	2,405,228
Total U.S. Department of Agriculture			<b>1,324,615</b>	<b>2,405,228</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>				
<i>Passed Through City of Toledo</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants (H28XX)	14.218	n/a		62,924
Total CDBG - Entitlement Grants Cluster				<u>62,924</u>
Total U.S. Department of Housing and Urban Development				<b>62,924</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</b>				
<i>Direct Program</i>				
Health Center Program Cluster:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (Fund 9027)	93.224			484,853
Total Health Center Program Cluster				484,853
<i>Direct Program</i>				
Healthy Start Initiative (H91XX)	93.926		221,568	640,323
<i>Passed Through National Association of County &amp; City Health Officials</i>				
Medical Reserve Corps Small Grant Program (H35XX)	93.008	MRC 11 27 MRC 15-0027		7,428
<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 (H44XX, H45XX)	93.043	n/a		31,782
<i>Passed Through Ohio Department of Youth Services</i>				
Affordable Care Act (ACA) Personal Responsibility Education Program (H83XX)	93.092	CSP902718		123,449
<i>Passed Through Ohio Department of Health</i>				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (H34XX)	93.074	048-1-001-2-PH		277,823
Injury Prevention and Control Research and State and Community Based Programs (H41XX)	93.136	048-1-001-4-OD 048-1-001-4-PD		89,814
Immunization Cooperative Agreements (H05XX, H07XX)	93.268	048-1-001-2-GV 048-1-001-2-IM		49,753
Centers for Disease Control and Prevention Investigations and Technical Assistance (H80XX)	93.283	048-1-001-4-TU		4,454
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs- Financed in part by 2018 Prevention and Public Health funds (PPHF) (H72XX, H73XX, H80XX)	93.305	048-1-001-4-CC 048-1-001-4-TU		10,320
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds (H05XX, H07XX)	93.539	048-1-001-2-GV 048-1-001-2-IM		4,101
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program (H36XX)	93.753	24572		5,721
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) (H72XX, H73XX)	93.758	048-1-001-4-CC		123,934
HIV Prevention Activities Health Department Based (H37XX)	93.940	048-1-001-2-HP	35,288	250,506
Sexually Transmitted Diseases (STD) Prevention and Control Grants (H19XX)	93.977	048-1-001-2-ST		49,142
Maternal and Child Health Services Block Grant to the States (H14XX, H15XX, H16XX, H20XX, H57XX)	93.994	048-1-001-1-DS 048-1-001-1-OE 048-1-001-1-MP 19645-14 5593 14128	10,000	38,164 18,336 92,237 17,400 7,309 16,011
Total Maternal and Child Health Services Block Grant to the States			<u>10,000</u>	<u>189,457</u>
Total U.S. Department of Health and Human Services			<b>266,856</b>	<b>2,342,860</b>
<b>TOTAL Expenditures of Federal Awards</b>			<b>1,591,471</b>	<b>4,811,012</b>
<i>The accompanying notes are an integral part of this schedule.</i>				

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FISCAL YEAR ENDED DECEMBER 31, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Lucas County Regional Health District's (the Government's) under programs of the federal government for the year ended December 31, 2018. The information on 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). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following 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 may or may not be allowable or may be limited as to reimbursement. Pass Through Entity identifying numbers are presented where available.

**NOTE C – INDIRECT COST RATE**

The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SUBRECIPIENTS**

The Government passes certain federal awards received from Department of Agriculture, Department of Health and Human Services, and the Ohio Department of Health to other governments or not-for-profit agencies (subrecipients). As Note B describes, the Government reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E – MATCHING REQUIREMENTS**

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government 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  
Lucas County, Ohio  
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 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, Lucas County, Ohio, (the “District”), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated July 25, 2019, in which we noted the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

**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 opinions 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.

Board Members  
Lucas County Regional Health District  
Lucas County, Ohio

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **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.



July 25, 2019

**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  
Lucas County, Ohio  
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, Lucas County, Ohio, (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, 2018. 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.

Board Members  
Lucas County Regional Health District  
Lucas County, Ohio

### **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, 2018.

### **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.



July 25, 2019

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

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?

  X   yes             no

Significant deficiency(ies) identified?

       yes        X   none reported

Noncompliance material to financial statements noted?

       yes        X   no

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

       yes        X   no

Significant deficiency(ies) identified?

       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

10.557                      Special Supplemental Nutrition Program for Women, Infants and Children

93.940                      HIV Prevention Activities Health Department Based

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  
LUCAS COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Finding 2018-001 – Material Weakness – GAAP Compilation Procedures

Criteria: Accounting principles generally accepted in the United States of America (GAAP) require that all assets and liabilities be reflected in the financial statements as of the end of an entities' fiscal year.

Condition: Certain accounts receivable and related revenues were not reflected in the District's government-wide and fund financial statements as of December 31, 2018.

Cause: The District maintains its accounting records on the cash basis. Annually the District engages a CPA firm to convert its accounting records to GAAP and prepare its financial statements. As part of this process the District provides information to the CPA firm about its assets as of December 31, 2018. The District did not correctly identify all accounts receivable as of December 31, 2018.

Effect: The failure to correctly identify all accounts receivable as of December 31, 2018 resulted in an understatement of accounts receivable and corresponding revenues which required an audit adjustment of approximately \$523,700 in the District's financial statements as of December 31, 2018.

Recommendation: We recommend that the District implement procedures to ensure that accurate information about its assets is provided to the CPA firm that compiles its GAAP financial statements.

District Management's

Response: The District will implement procedures to ensure that only accurate information is provided to the CPA firm compiling the annual GAAP financial statements.

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

No matters were reported.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT  
LUCAS COUNTY, OHIO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2018**

**Finding 2017-001 - Material Weakness -GAAP Compilation Procedures**

Finding Summary: Certain accounts receivable and related revenues and accounts payable and related expenses were not reflected in the District's government-wide and fund financial statements. The budgetary statements did not reflect official budgetary amounts.

Finding Status: Partially corrected. Repeated as Finding 2018-001.

# OHIO AUDITOR OF STATE KEITH FABER



**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  
SEPTEMBER 26, 2019**