

LUCAS COUNTY REGIONAL HEALTH DISTRICT
AUDITED FINANCIAL STATEMENT
AND OTHER SUPPLEMENTARY INFORMATION
AND AUDITOR'S REPORTS

DECEMBER 31, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lucas County Regional Health District, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 23, 2013

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GILMORE, JASON & MAHLER, LTD

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances – all governmental and fiduciary fund types of Lucas County Regional Health District (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined statement of cash receipts, cash disbursements, and changes in fund cash balances – all governmental and fiduciary fund types of the District for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The schedule of expenditures of federal awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilmore, Jason & Mahler, LTD

May 17, 2013

LUCAS COUNTY REGIONAL HEALTH DISTRICT

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES –
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Governmental Fund Types | | Fiduciary Funds | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------|--------------------------------|
| | General | Special Revenue | Agency | |
| Cash Receipts: | | | | |
| Fees | \$ 1,871,667 | \$ 102,113 | \$ 1,027,695 | \$ 3,001,475 |
| Fees - Other Receipts | 80,952 | 111,553 | | 192,505 |
| Vendors License | | 1,113,301 | | 1,113,301 |
| Permits | 17,586 | 67,153 | | 84,739 |
| Fines | | 4,712 | | 4,712 |
| Grants | 82,600 | | | 82,600 |
| Grants-Federal | | 4,124,217 | | 4,124,217 |
| Grants-State | 4,516 | 219,662 | | 224,178 |
| Grants-Local | 125,291 | 17,336 | | 142,627 |
| Contract Revenue - Reimbursements | 3,598,481 | 2,352 | | 3,600,833 |
| Other Receipts | 5,055 | (5,595) | | (540) |
| Operating Revenue - Miscellaneous | 34 | (5) | | 29 |
| Total Cash Receipts | \$ 5,786,182 | \$ 5,756,799 | \$ 1,027,695 | \$ 12,570,676 |
| Cash Disbursements: | | | | |
| Salaries | 2,694,879 | 3,162,337 | | 5,857,216 |
| OPERS | 357,031 | 434,000 | | 791,031 |
| FICA | 36,215 | 46,956 | | 83,171 |
| Unemployment Compensation | 26,099 | | | 26,099 |
| Worker's Compensation | 26,503 | 36,406 | | 62,909 |
| Health Insurance | 563,229 | 698,508 | | 1,261,737 |
| Liability Insurance | 65,679 | | | 65,679 |
| Contract Services | 669,487 | 579,038 | | 1,248,525 |
| Contract Services-Temp | | 83,657 | | 83,657 |
| Contract Repairs | 3,204 | 456 | | 3,660 |
| Equipment Repairs | 2,992 | 1,100 | | 4,092 |
| Contract Repairs-Other | 16,119 | 1,076,982 | | 1,093,101 |
| Recycling Service | 990 | | | 990 |
| Equipment Lease | 19,203 | | | 19,203 |
| Professional Service | 229,979 | | | 229,979 |
| Materials | | 1,501 | | 1,501 |
| Gasoline | 6,867 | 139 | | 7,006 |
| Supplies | 20,970 | 57,692 | | 78,662 |
| Office Supplies | 16,383 | 17,283 | | 33,666 |
| Medical Supplies | 235,955 | 43,078 | | 279,033 |
| Other-Supplies | 6,357 | 5,715 | | 12,072 |
| Equipment-Parts | | 62 | | 62 |
| Postage | 14,868 | 16,834 | | 31,702 |
| Advertising and Printing | 14,846 | 31,582 | | 46,428 |
| Motor Vehicle Repairs | 4,887 | 328 | | 5,215 |
| Refunds | | 38,317 | 64 | 38,381 |
| Copying | 6,822 | 6,289 | | 13,111 |
| Telecommunications | 53,781 | 41,085 | | 94,866 |
| Desk Phones | | 1,534 | | 1,534 |
| Cell Phones | | 340 | | 340 |
| Training | 37,044 | 62,943 | | 99,987 |
| Conferences | 3,337 | 27,072 | | 30,409 |
| Staff Development | 5,262 | 104 | | 5,366 |
| Membership Dues | 11,610 | 987 | | 12,597 |
| Utilities | | 2,491 | | 2,491 |
| Equipment | 25,698 | 15,397 | | 41,095 |
| Other Equipment | 4,402 | 10,716 | | 15,118 |
| Equipment less than \$5,000 | 22,361 | 28,805 | | 51,166 |
| Equipment greater than \$5000 | 5,988 | | | 5,988 |
| Other Expense | | 106 | 1,051,485 | 1,051,591 |
| Total Cash Disbursements | 5,209,047 | 6,529,840 | 1,051,549 | 12,790,436 |
| Total Cash Receipts Over (Under) Cash Disbursements | 577,135 | (773,041) | (23,854) | (219,760) |
| Other Financing Receipts (Uses): | | | | |
| Refunds | (34) | (182) | | (216) |
| Gifts and Donations | 1,784 | | | 1,784 |
| Other Sources | 30 | | | 30 |
| Total Other Financing Receipts (Uses) | 1,780 | (182) | 0 | 1,598 |
| Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over Cash Disbursements | 578,915 | (773,223) | (23,854) | (218,162) |
| Fund Cash Balances January 1 | \$ 1,414,523 | \$ 1,534,926 | \$ 220,748 | \$ 3,170,197 |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 761,703 | | |
| Assigned | 221,313 | | | |
| Unassigned | 1,772,125 | | | |
| Fund Cash Balances, December 31 | \$ 1,993,438 | \$ 761,703 | \$ 196,894 | \$ 2,952,035 |

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT

DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lucas County Regional Health District (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a twelve-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 mobile homes; campgrounds; swimming pools; food services and vending machines; water wells and sewage permits; public health and home health services; Women, Infants, and Children's Grant Program; Children Family Health Service Grant Program; Sixty Plus Nursing Assessment Program; school health nursing services; nutrition services; and ambulatory care services.

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

B. Basis of Accounting

The financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

Advanced Practice Center Fund – This is a Federal grant fund from the National Association of County and City Health Officials (NACCHO), in collaboration with the Centers for Disease Control and Prevention (CDC). The District developed new, innovative solutions or enhanced currently existing Advanced Practice Center (APC) tools and resources to assist public health professionals in preparing for, responding to, and recovering from the consequences of disasters and other public health emergencies.

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

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. **Fiduciary Funds**

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

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

E. Budgetary Process

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

1. **Appropriations**

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

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2012 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting. As of December 31, 2012, the accumulated leave totaled approximately \$299,000.

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Fund Balance

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

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

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

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

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

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

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012**

2. EQUITY IN POOLED CASH

As required by the Ohio Revised Code, the Lucas County Auditor is the fiscal agent of the District. The District's cash pool, used by all funds, is deposited with the Lucas County Treasurer. The cash pool is commingled with Lucas County's cash and investment pool and is not identifiable as to demand deposits or investments. All collections are remitted to the Lucas County Treasurer for deposit and all disbursements are made by warrants prepared by the Lucas County Auditor drawn on deposits held in the name of Lucas County. GASB 3 and GASB 40 requirements for the County of Lucas are presented in the December 31, 2012 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, 2012 was \$2,952,035.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2012 follows:

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 7,232,937 | \$ 5,786,182 | \$ (1,446,755) |
| Special Revenue | 8,334,571 | 5,756,799 | (2,577,772) |
| Total | \$ 15,567,508 | \$ 11,542,981 | \$ (4,024,527) |

| 2012 Appropriated vs. Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 7,232,306 | \$ 5,430,359 | \$ 1,801,947 |
| Special Revenue | 9,811,679 | 6,850,829 | 2,960,850 |
| Total | \$ 17,043,985 | \$ 12,281,188 | \$ 4,762,797 |

4. INTERGOVERNMENTAL FUNDING

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

5. RETIREMENT SYSTEM

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. For 2012, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT DECEMBER 31, 2012

5. RETIREMENT SYSTEM-CONTINUED

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% during the calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contribution allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's contributions to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$791,031, \$871,065, and \$896,572, respectively. The portion of employer contributions that were used to fund post-employment benefits was \$225,998. All required contributions were made prior to each of those fiscal year ends. Total required employer contributions for all plans are equal to 100% of employer charges and are extracted from the employer's records.

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care charges, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance and dental and vision coverage to full-time employees through Lucas County by use of a private carrier.

7. CONTINGENT LIABILITIES

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

LUCAS COUNTY REGIONAL HEALTH DISTRICT

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

8. FUND BALANCE

Fund balances have been classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed up the use of the resources in governmental funds.

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

| Fund Balance | General | Special Revenue | Total Governmental Funds |
|--|---------------------|--------------------|--------------------------------|
| Restricted for: | | | |
| Environmental | | 188,115 | 188,115 |
| Grants | | 573,588 | 573,588 |
| Assigned for: | | | |
| Administration and Clinical Programs | 221,313 | | 221,313 |
| Unassigned for: | | | |
| Administration and Clinical Programs | 1,772,125 | | 1,772,125 |
| Total Fund Balance | <u>\$ 1,993,438</u> | <u>\$ 761,703</u> | <u>\$2,755,141</u> |

9. COMMITMENTS

The District has outstanding encumbrances totaling \$542,300 as of December 31, 2012.

SUPPLEMENTARY INFORMATION

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING DECEMBER 31, 2012**

| FEDERAL GRANTOR | Pass Through | Federal | Federal |
|--|-----------------------------------|----------------|------------------|
| <i>Pass-Through Grantor</i> | Entity Number/ Contract Number | CFDA Number | Federal |
| <u>Program Title/Fund Number Location</u> | | | |
| UNITED STATES DEPARTMENT OF AGRICULTURE (AG) | | | |
| <i>Passed Through the Ohio Department of Health</i> | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children (H24XX) | 48-1-001-1-WA | 10.557 | \$ 1,909,073 |
| Total United States Department of Agriculture | | | <u>1,909,073</u> |
| UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) | | | |
| Lead-Based Paint Hazard Control In Privately-Owned Housing (H87XX) | | 14.900 | 8,224 |
| Total United States Department of Health and Human Services | | | <u>8,224</u> |
| <i>Passed Through the City of Toledo</i> | | | |
| Community Development Block Grants/Entitlement Grants | | | |
| Rodent/Nuisance Control (H280X) | n/a | 14.218 | 121,369 |
| Total United States Department of Housing and Urban Development | | | <u>121,369</u> |
| UNITED STATES DEPARTMENT OF EDUCATION (ED) | | | |
| <i>Passed Through the Ohio Child Care Resource and Referral Association</i> | | | |
| Special Education Grants for Infants and Families with Disabilities (H60XX) | n/a | 84.181 | 2,507 |
| Total United States Department of Education | | | <u>2,507</u> |
| UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) | | | |
| Emergency Countermeasure Dispensing Staffing Plan (H84XX) | 1U90TP000427 | 93.069 | 197,190 |
| Total United States Department of Health and Human Services (HHS) | | | <u>197,190</u> |
| <i>Passed Through the National Association of County & City Health Officials</i> | | | |
| Medical Reserve Corps Units (H35XX) | 5MRC5G101055 | 93.008 | 11,937 |
| CDC Investigations, Technical Assistance and Affordable Care Act Projects (H68XX) | APC 092002 | 93.283 | 431,728 |
| Total National Association of County & City Health Officials (NACCHO) | | | <u>443,665</u> |
| <i>Passed Through the Ohio Department of Aging</i> | | | |
| <i>Passed Through the Area Office on Aging of Northwest Ohio, Inc.</i> | | | |
| Special Programs for the Aging Title III, Part D -Disease Prevention and Health Promotion Services (H45XX) | n/a | 93.043 | 83,578 |
| Total Ohio Department of Aging | | | <u>83,578</u> |
| <i>Passed Through the Ohio Department of Health</i> | | | |
| Public Health Emergency Preparedness Grants (H34XX) | 48-1-001-2-PH | 93.069 | 375,474 |
| Public Health Emergency Response Grants - H1N1 (H69XX;H70XX;H71XX;H78IV) | 48-1-001-2-PH | 93.069 | 4,290 |
| Affordable Care Act (ACA)Personal Responsibility Education Program (H83XX) | 48-1-001-1-PR | 93.092 | 189,438 |
| Dental Public Health Residency Training DPHRT and Grants to States to Support Oral Health Workforce Activities SSOHWA (H14XX;H57XX) | 48-1-001-1-SC 48-1-001-1-DS | 93.236 | 55,952 |
| Immunization Grants (H05XX) | 48-1-001-2-IM | 93.268 | 163,522 |
| CDC Investigations, Technical Assistance and Affordable Care Act Projects (H80XX) | 48-1-001-4-TO | 93.283 | 30,044 |
| HIV Prevention Activities Health Department Based (H37XX) | 48-1-001-2-HP | 93.940 | 317,425 |

The accompanying notes are an integral part of this schedule.

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDING DECEMBER 31, 2012**

| FEDERAL GRANTOR | Pass Through | Federal | Federal |
|--|---|------------------|---------------------|
| <i>Pass-Through Grantor</i> | Entity Number/ Contract Number | CFDA Number | Federal |
| Program Title/Fund Number Location | | | |
| Preventative Health Services Sexually Transmitted Diseases Control Grant (H19XX) | 48-1-001-2-SD | 93.977 | 60,723 |
| Preventative Health and Health Services Block Grant (H72XX) | 48-1-001-4-CC | 93.991 | 110,267 |
| Maternal and Child Health Services Block Grant to the States (H14XX ; H16XX & H57XX) | 48-1-001-1-DS 48-1-001-1-MC 48-1-001-1-SC | 93.994 | 458,469 |
| Total Ohio Department of Health | | | <u>1,765,604</u> |
| Passed Through the Ohio Department of Health | | | |
| <i>Passed Through Ohio Child Care Resource and Referral Association</i> | | | |
| Maternal and Child Health Services Block Grant to the States (H60XX) | n/a n/a | 93.110 93.994 | 2,508 2,508 |
| Child Care and Development Block Grant (H60XX) | n/a | 93.575 | 2,508 |
| Total Ohio Child Care Resource and Referral Association | | | <u>7,524</u> |
| <i>Passed Through Ohio Public Health Partnership (OPHP)</i> | | | |
| <i>Passed Through Hospital Council of Northwest Ohio</i> | | | |
| Strengthening Public Health Infrastructure Grant (H8512) | 5U58CD001313 | 93.507 | 2,672 |
| Total Hospital Council of Northwest Ohio | | | <u>2,672</u> |
| Passed Through the Ohio Department of Jobs and Family Services | | | |
| Refugee Cash and Medical Assistance and Refugee Social Services (H63XX) | AAOH5100 | 93.566 | 700 |
| Total Ohio Department of Jobs and Family Services | | | <u>700</u> |
| Passed Through Ohio Health Information Partnership (OHIP) | | | |
| <i>Passed Through the Hospital Council of Northwest Ohio</i> | | | |
| Health Information Technology Regional Extension Centers Program (H81XX) ARRA | 90RC0012/01 | 93.718 | 1,036 |
| Total State of Ohio | | | <u>1,036</u> |
| Total United States Department of Health and Human Services | | | <u>2,503,019</u> |
| TOTAL - FEDERAL ASSISTANCE | | | <u>\$ 4,543,142</u> |

The accompanying notes are an integral part of this schedule.

LUCAS COUNTY REGIONAL HEALTH DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



GILMORE, JASION & MAHLER, LTD

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Lucas County Regional Health District (the District), as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated May 17, 2013, wherein we noted the District followed accounting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Lucas County Regional Health District in a separate letter dated May 17, 2013.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilmore, Jason & Mahler, LTD

May 17, 2013



GILMORE, JASION & MAHLER, LTD

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Lucas County Regional Health District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dilmore, Jason & Mahler, LTD

May 17, 2013

**LUCAS COUNTY REGINOAL HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012**

Section I – Summary of Auditors’ Results

Financial Statements

| | |
|---|---|
| Type of auditors’ report issued: | Adverse: GAAP Unmodified: Regulatory Basis |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| Type of auditors’ report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |

Identification of major programs

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants and Children (H24XX) |
| 93.994 | Maternal and Child Health Services (H14XX, H16XX, and H57XX) |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program (H83XX) |
| 93.268 | Immunization Cooperative Agreements (H05XX) |

| | |
|---|-----------|
| Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
|---|-----------|

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**LUCAS COUNTY REGIONAL HEALTH DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR (2011)
AUDIT FINDINGS**

There were no reportable findings for the year ended December 31, 2011.



Dave Yost • Auditor of State

LUCAS COUNTY REGIONAL HEALTH DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2013**