

CRIMINAL JUSTICE COORDINATING COUNCIL
Basic Financial Statements and
Supplementary Information

Years Ended December 31, 2016 and 2015

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS



Dave Yost • Auditor of State

Council Members
Criminal Justice Coordinating Council
One Government Center, Suite 1720
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Criminal Justice Coordinating Council, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 1, 2017

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INDEPENDENT AUDITORS' REPORT

To the Council
Criminal Justice Coordinating Council
Toledo, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of the Criminal Justice Coordinating Council (the "Council"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Council'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.

Auditors' 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 auditors' 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 entity'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 entity'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.

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 business-type activities and the remaining fund information of the Criminal Justice Coordinating Council, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Criminal Justice Coordinating Council as of December 31, 2015, were audited by other auditors whose report dated September 31, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedules of operating revenues on page 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 June 20, 2017 on our consideration of the Criminal Justice Coordinating Council'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 solely 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 the effectiveness of the Council's 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 Criminal Justice Coordinating Council's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 20, 2017

LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED

The following Management's Discussion and Analysis (MD&A) section of the Criminal Justice Coordinating Council's (the Council) financial report represents a discussion and analysis of the Council's financial performance during the fiscal years ended December 31, 2016 and 2015. Please read it in conjunction with the Council's financial statements, which follow this section.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, Net Position decreased \$53,895 or (32.6%) from 2015, resulting in ending net position of (\$219,153) at December 31, 2016.
- Total Assets and Deferred Outflows of Resources increased \$705,857 or (28.6%), including capital asset additions of \$26,874 during 2016.
- Total Liabilities and Deferred Inflows of Resources increased by \$759,752 or (28.9%) from 2015. Current liabilities declined by \$54,065 or (8.9%). The Council recorded a net pension liability of \$2,606,678 in 2016. Deferred inflows of resources increased \$5,331 or (2.4%). Deferred inflows at December 31, 2016 included grant revenues from the Annie E. Casey Foundation which is a privately funded grant, the SAFETI grant, and the Law Enforcement State Homeland Security Program (LESHSP, formerly LETPP).
- The Council had \$4,227,368 in operating expenses and \$4,283,624 in operating revenues in 2016. Non-operating revenues and expenses netted to \$1,983 in 2016.
- Grants administered by the Council had a moderate decrease of \$249,801 or (26.4%) from 2015.

Using This Annual Financial Report

This annual report consists of a series of financial statements and footnotes to those statements. These statements are prepared and organized so the reader can understand the Council as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at our specific financial conditions. For a summary of the Council's significant accounting policies, please see footnote number two attached to the financial statements.

The Statements of Net Position, similar to a traditional balance sheet, presents information regarding assets, deferred outflows, liabilities, and deferred inflows. The net position of the Council as of December 31, 2016 and 2015 represents the difference between the total assets and deferred outflows and total liabilities and deferred inflows.

The Statements of Revenues, Expenses, and Changes in Net Position, similar to a traditional Profit and Loss (P&L) Statement, reports the operating and non-operating revenues and expenses which, upon combining, determine the total change in net position for the current year.

LUCAS COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED**

The Statements of Cash Flows reports changes in cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance on the Statements of Net Position at the end of the current fiscal year.

The Statements of Net Position – Agency Fund is used to account for resources held for the benefit of parties outside the Council. This fund is not reflected in the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position or the Statements of Cash Flows of the Council as the resources of the fund are not available to support the Council's own programs.

Reporting the Council as a Whole

Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position

While this document contains the fund used by the Council to provide its program, the view of the Council as a whole encompasses all financial transactions and asks the question, "How did we do financially during 2016 and 2015?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position answer this question. These statements include *all assets, deferred outflows, liabilities, and deferred inflows* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Council's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the continued availability of grant funds at the federal, state and local levels.

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, the Council is presented as one activity, business-type.

- Business-type activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the Council's Fund

Fund Financial Statements

The Council has only one fund; therefore, additional fund level statements are not presented.

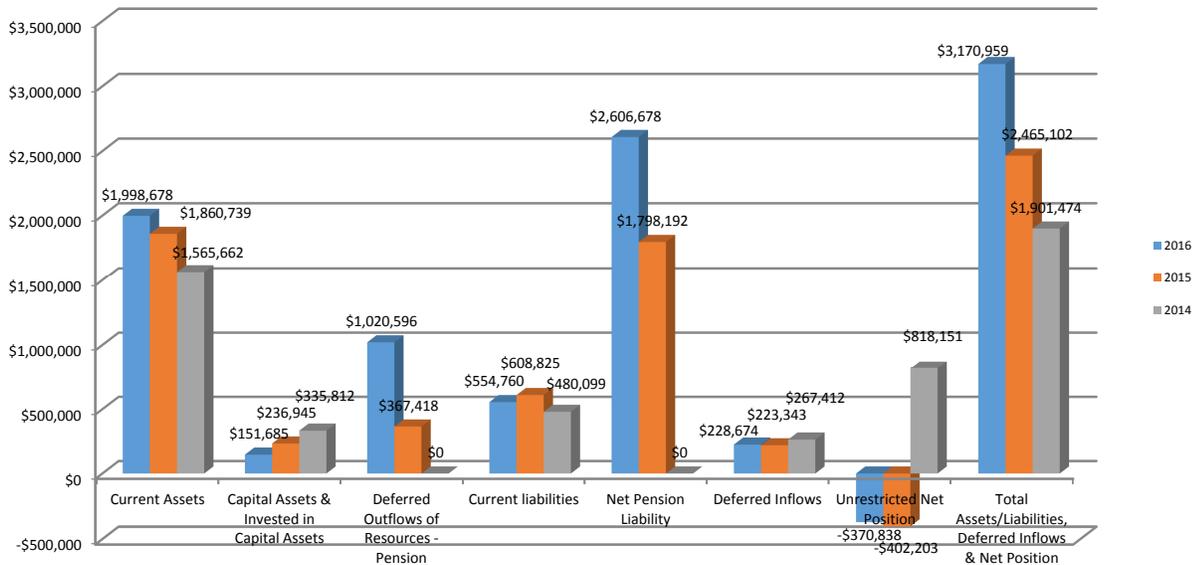
LUCAS COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED**

Statements of Net Position

The major components of the Statement of Net Position at December 31, 2016, 2015 and 2014 are reflected below:

	2016	2015	2014
Assets			
Current Assets	\$ 1,998,678	\$ 1,860,739	\$ 1,565,662
Capital Assets	151,685	236,945	335,812
Deferred Outflows of Resources - Pension	1,020,596	367,418	-
Total Assets and Deferred Outflows	\$ 3,170,959	\$ 2,465,102	\$ 1,901,474
Current Liabilities	\$ 554,760	\$ 608,825	\$ 480,099
Net Pension Liability	2,606,678	1,798,192	-
Total Liabilities	3,161,438	2,407,017	480,099
Deferred Inflows			
Deferred Inflows of Resources - Grants	178,468	\$ 191,752	\$ 267,412
Deferred Inflows of Resources - Pension	50,206	31,591	-
Total Deferred Inflows	228,674	223,343	267,412
Net Position			
Investment in Capital Assets	151,685	236,945	335,812
Unrestricted Net Position	<u>(370,838)</u>	<u>(402,203)</u>	<u>818,151</u>
Total Net Position	<u>(219,153)</u>	<u>(165,258)</u>	<u>1,153,963</u>
Total Liabilities, Deferred Inflows, and Net Position	\$ 3,170,959	\$ 2,465,102	\$ 1,901,474



LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED

Total assets and deferred outflows increased \$705,857 or (28.6%) in fiscal year 2016. The change in total assets and deferred outflows was due to deferred outflows related to pension and an increase in cash and cash equivalents of 15.8% or \$213,687 from 2015.

On January 1, 2015, the Council implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. As a result, the Council is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. Net pension liability increased \$808,486 in fiscal year 2016. The net pension liability recognized by the Council at December 31, 2016 was \$2,606,678.

Current liabilities decreased \$54,065 or (8.9%) in fiscal year 2016 due to a combination of increased matured compensated absences payable, decreased grants payable and decreased accrued payroll and related expenses at December 31. Total liabilities increased 31.3% resulting mainly from an increase in the proportionate share of the net pension liability.

What are the Council's Revenue Sources? The Council receives much of its revenue from contract services to the City of Toledo and Lucas County and operating grants. Sources of these grants are federal, state and local. The Council has multiple functions, with the major function being improving the justice system in the Toledo/Lucas County area, and all revenue is used to support this function.

LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED

Statements of Revenues, Expenses and Changes in Net Position

The major components of the Statements of Revenues, Expenses and Changes in Net Position for fiscal years ended December 31, 2016, 2015 and 2014 are reflected below:

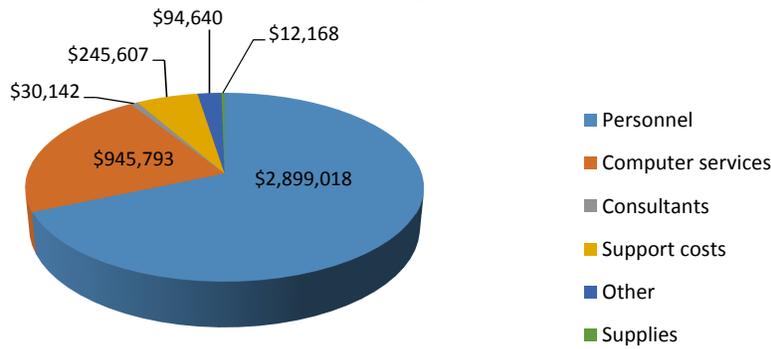
	2016	2015	2014
Operating Revenues	\$ 4,283,624	\$ 4,555,747	\$ 4,174,010
Operating Expenses	4,227,368	4,260,390	3,838,356
Operating Income before depreciation	56,256	295,357	335,654
Depreciation	112,134	117,595	160,170
Operating Income	(55,878)	177,762	175,484
Grant Revenues	696,275	946,076	695,248
Less: Grant Allocations to Subrecipients	(696,275)	(946,076)	(695,248)
Interest Income	1,983	866	1,553
Total Non-Operating Revenues and Expenses	1,983	866	1,553
Changes in Net Position	(53,895)	178,628	177,037
Net Position at beginning of the year	(165,258)	1,153,963	976,926
Cumulative effect of change in accounting principle	-	(1,497,849)	-
Net position at end of the year	\$ (219,153)	\$ (165,258)	\$ 1,153,963

LUCAS COUNTY

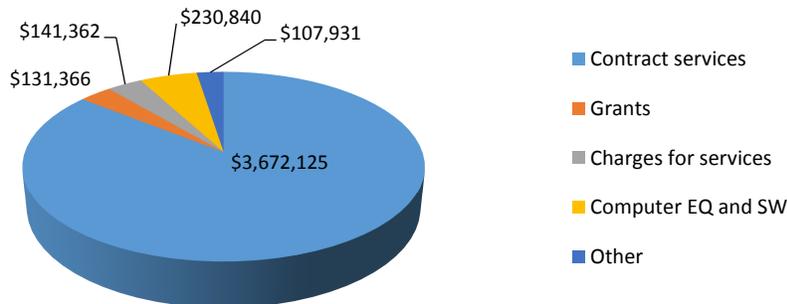
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
 UNAUDITED

In fiscal year 2016, operating revenues decreased 6.0% primarily from a decrease in reimbursed computer supply purchases. Expenditures decreased a slight 0.8% as a result of decreased computer hardware and software costs.

2016 Operating Expenses



2016 Operating Revenue



LUCAS COUNTY

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015
UNAUDITED**

Statements of Cash Flows

In fiscal year 2016, cash and cash equivalents increased \$213,687. Net cash provided by operating activities increased \$103,836 primarily due to a decrease in cash paid to others. Net cash used in non-capital financing activities decreased \$139,889 predominantly due to a decrease in grant revenue and grant related activities. Net cash used in capital and related financing activities increased \$8,148 due to the acquisition of fixed assets in fiscal year 2016. Net cash from investing activities increased \$1,117.

Cash flows for fiscal years ended December 31, 2016, 2015 and 2014 are reflected below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities	\$ 325,824	\$ 221,988	\$ 399,117
Cash flows from non-capital financing activities	(87,246)	52,643	(131,632)
Cash flows from capital and related financing activities	(26,874)	(18,726)	(51,192)
Cash flows from investing activities	1,983	866	1,553
Net increase in cash	<u>213,687</u>	<u>256,771</u>	<u>217,846</u>

Capital Assets and Debt Administration

At the end of fiscal year 2016, the Council had \$151,685 net investment in capital assets as compared to \$236,945 at December 31, 2015. The Council had no debt during 2016.

Contacting the Criminal Justice Coordinating Council’s Financial Management

This financial report is designed to provide our citizens, taxpayers, patrons and creditors with a general overview of the Council’s finances and to show the Council’s accountability for the funds it receives or spends. If you have any questions about this report or need financial information, contact the Director of Administrative Services, Criminal Justice Coordinating Council, One Government Center, Suite 1720, Toledo, OH 43604 or call (567) 200-6850.

LUCAS COUNTY

STATEMENTS OF NET POSITION
For the Years Ended December 31, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	\$ 1,482,246	\$ 1,181,313
Cash and cash equivalents - Restricted	82,257	169,503
Accounts receivable	143,619	217,778
Grants receivable	18,539	15,285
Prepaid expenses	272,017	276,860
Total current assets	1,998,678	1,860,739
Non-current assets		
Property and equipment	1,383,925	1,375,626
Accumulated depreciation	(1,232,240)	(1,138,681)
Net property and equipment	151,685	236,945
Deferred Outflows of Resources		
Pension	1,020,596	367,418
Total Assets and Deferred Outflows	\$ 3,170,959	\$ 2,465,102
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities		
Accounts payable	\$ 84,121	\$ 80,867
Grants payable	67,965	146,468
Accrued payroll and related expenses	101,010	119,037
Matured compensated absences payable	301,664	262,453
Total current liabilities	554,760	608,825
Long term liability		
Net pension Liability	2,606,678	1,798,192
Total liabilities	3,161,438	2,407,017
Deferred inflows of resources		
Grants	178,468	191,752
Pension	50,206	31,591
	228,674	223,343
Net position		
Investment in capital assets	151,685	236,945
Unrestricted net position (deficit)	(370,838)	(402,203)
Total Net Position	\$ (219,153)	\$ (165,258)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,170,959	\$ 2,465,102

The accompanying notes are an integral part of these financial statements.

LUCAS COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Contract services	\$ 3,672,125	\$ 3,645,686
Grants	131,366	72,693
Charges for services	141,362	132,172
Computer equipment and software	230,840	699,803
Other	107,931	5,393
	<u>4,283,624</u>	<u>4,555,747</u>
Total operating revenues	4,283,624	4,555,747
Operating expenses		
Personnel	2,899,018	2,651,721
Computer services	945,793	1,239,208
Consultants	30,142	23,353
Support costs	245,607	261,659
Other	94,640	74,859
Supplies	12,168	9,590
	<u>4,227,368</u>	<u>4,260,390</u>
Total operating expenses	4,227,368	4,260,390
Operating income before depreciation	56,256	295,357
Depreciation	<u>112,134</u>	<u>117,595</u>
Operating income (loss)	(55,878)	177,762
Non-operating revenue and expense		
Grant revenues	696,275	946,076
Less: Grant allocations to subrecipients & vendors	(696,275)	(946,076)
Interest income	1,983	866
	<u>1,983</u>	<u>866</u>
Total non-operating revenue, net	1,983	866
Change in net position	(53,895)	178,628
Net position (deficit) at beginning of the year	(165,258)	1,153,963
Cumulative effect of change in accounting principle	<u>-</u>	<u>(1,497,849)</u>
Net position (deficit) at end of the year	<u>\$ (219,153)</u>	<u>\$ (165,258)</u>

The accompanying notes are an integral part of these financial statements.

LUCAS COUNTY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received for services	\$ 4,349,988	\$ 4,461,391
Cash paid to employees	(2,703,911)	(2,662,406)
Cash paid to others	(1,320,253)	(1,576,997)
Net cash provided by operating activities	<u>325,824</u>	<u>221,988</u>
Cash flows from non-capital financing activities		
Cash received from grants	687,532	909,255
Cash paid for grant allocations	(774,778)	(856,612)
Net cash (used in) and provided by non-capital financing activities	<u>(87,246)</u>	<u>52,643</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(26,874)	(20,152)
Proceeds from sale of capital assets	-	1,426
Net cash used in capital and related financing activities	<u>(26,874)</u>	<u>(18,726)</u>
Cash flows from investing activities		
Interest received on cash and cash equivalents	<u>1,983</u>	<u>866</u>
Net increase in cash and cash equivalents	213,687	256,771
Cash and cash equivalents at beginning of year	<u>1,350,816</u>	<u>1,094,045</u>
Cash and cash equivalents at end of year	<u>\$ 1,564,503</u>	<u>\$ 1,350,816</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (55,878)	\$ 177,762
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	112,134	117,595
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	74,159	(86,561)
Prepaid expenses	4,843	17,211
Deferred outflows - pension	(653,178)	(107,690)
Increase (decrease) in:		
Accounts payable	3,254	14,461
Accrued payroll and related expenses	(18,027)	18,188
Accrued vacation and sick	39,211	6,611
Deferred Inflows	(7,795)	(7,795)
Net pension liability	808,486	40,615
Deferred inflows - pension	18,615	31,591
Net cash provided by operating activities	<u>\$ 325,824</u>	<u>\$ 221,988</u>

The accompanying notes are an integral part of these financial statements.

LUCAS COUNTY

STATEMENTS OF ASSETS AND LIABILITIES – AGENCY FUND
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Restricted cash	\$ 17,561	\$ 18,135
Total assets	<u>\$ 17,561</u>	<u>\$ 18,135</u>
LIABILITIES		
Liabilities - amounts held for others	\$ 17,561	\$ 18,135
Total liabilities	<u>\$ 17,561</u>	<u>\$ 18,135</u>

The accompanying notes are an integral part of these financial statements.

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1. REPORTING ENTITY

Description of the Entity

The Criminal Justice Coordinating Council (the Council) is an entity organized to promote cooperation and coordination between and among separate governmental units and agencies for improving the criminal justice system in the Toledo/Lucas County area through planning, analysis, technical assistance, training, and information management. The Council provides these services in three major areas. The first major area is the Northwest Ohio Regional Information System (NORIS) project which provides applications programming, computer training, computer hardware and network support services for an automated regional information system for local criminal justice agencies. Regional planning efforts is the second major area in which the Council provides services and includes planning, grants management, and coordinating efforts for local criminal justice agencies and units of government. The third major area is an administrative services component that is responsible for coordinating activities between project areas.

The Agency fund type is used to account for and maintain assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Activity of the Metro Drug Task Force and the Toledo Police Department (TPD) Drug and Gang Reduction Team (DAGR), formerly Vice Narcotics Unit, is included in this fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (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 preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The Council's significant accounting policies are described below:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services is reported as operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses.

LUCAS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues and expenses include revenues and expenses from grant management, capital and related financing activities, and investing activities. Expenses relating to disbursements of grant allocations to subrecipients are reported as non-operating expenses.

Cash and cash equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

Accounts receivable are comprised of contracts, and other receivables primarily from governmental entities. Receivables are considered fully collectible at December 31, 2016 and 2015, and reflect market value. Accordingly, no allowance for doubtful accounts is deemed necessary. When amounts are deemed to be uncollectible, they are expensed in the year in which that determination is made.

Prepaid expenses

Prepaid expenses represent computer maintenance and other agreements paid in or prior to December 31, 2016 and 2015, and expire in subsequent years.

Property and equipment

Property and equipment are stated at cost (or estimated historical cost) and updated for the costs of additions and retirements during the year. The Council capitalizes assets with a cost over \$1,000. Depreciation of property and equipment is based upon the estimated useful lives, ranging from three to forty years, of the various assets and is computed using the straight-line method.

Compensated absences

The Council follows GASB No. 16, Accounting for Compensated Absences, which requires that a liability be accrued for sick leave and vacation if it is probable that the employee will be compensated through a cash payment. The liability is accrued using the vesting method. The Council employees accumulate sick leave at a rate of 15 days per year. Upon retirement, if the employee has completed twenty or more years of service with the Council, reimbursement for sick leave shall be at the employee's final rate of pay for no more than one-third (1/3) of their accrued but unused sick leave credit, not to exceed three hundred and twenty (320) hours. Payments at retirement for accumulated sick leave are calculated using the rate of compensation at the date of retirement.

The Council employees accumulate vacation leave at a rate between two and five weeks per year, depending on their length of service. The Council policy restricts employees from carrying forward more than three (3) years of vacation accrual per calendar year. Any unused leave is paid out upon termination or retirement.

Economic dependency

The Council provides services to the City of Toledo and Lucas County. For the years ended December 31, 2016 and 2015, 39% and 38% of total operating revenues were received from City of Toledo and 16% and

LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

14% of total operating revenues were received from Lucas County, respectively. At December 31, 2016 and 2015, accounts receivable related to allocated revenue from the City of Toledo and Lucas County totaled \$0.

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets represent capital assets, reduced by accumulated depreciation.

Restricted assets

Restricted assets consist of monies and other resources which are restricted by specific agreements. At December 31, 2016 and 2015, restricted cash and cash equivalents for grant allocations represent restricted assets for payment of future grant funding requests by sub recipients.

3. CASH AND INVESTMENTS

The Council has designated Fifth Third Bank for the deposit of funds and the Toledo Police Federal Credit Union for the deposit of the Council’s Agency Funds. The Council’s cash and cash equivalents are primarily subject to custodial credit risk, as further explained below.

Custodial credit risk is the risk that, in the event of bank failure, the Council’s deposits may not be returned to it. Protection of the Council’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Council funds shall be required to pledge as security for repayment of all public monies.

At December 31, 2016 and 2015, the carrying value of the Council’s deposits is as follows:

	Demand Deposits	
	<u>2016</u>	<u>2015</u>
Carrying Amount	\$ 1,582,064	\$ 1,368,951
Bank Balance	\$ 1,637,526	\$ 1,510,646

LUCAS COUNTY
**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Of the bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation and \$17,561 was insured by the National Credit Union Association (NCUA), and \$1,369,965 was uninsured and collateralized by securities held by the pledging institution's trust department, not in the Council's name.

At December 31, 2016 and 2015, the Council had no investments.

4. PROPERTY AND EQUIPMENT

A summary of the changes in property and equipment, by asset type, is as follows:

	Balance 1/1/2016	Additions	Disposals	Balance 12/31/2016
Property and equipment:				
Leasehold improvements	\$ 161,047	\$ -	\$ -	\$ 161,047
Furniture and fixtures	36,493	-	-	36,493
Computer equipment	1,147,870	26,874	(18,575)	1,156,169
Office equipment	12,885	-	-	12,885
Vehicles	17,331	-	-	17,331
Total property and equipment	<u>1,375,626</u>	<u>26,874</u>	<u>(18,575)</u>	<u>1,383,925</u>
Accumulated Depreciation:				
Furniture and Fixtures	(32,237)	(877)	-	(33,114)
Computer Equipment	(917,767)	(110,597)	18,575	(1,009,789)
Office Equipment	(10,298)	(660)	-	(10,958)
Vehicles	(17,331)	-	-	(17,331)
Other	(161,048)	-	-	(161,048)
	<u>(1,138,681)</u>	<u>(112,134)</u>	<u>18,575</u>	<u>(1,232,240)</u>
Net property and equipment	<u>\$ 236,945</u>	<u>\$ (85,260)</u>	<u>\$ 0</u>	<u>\$ 151,685</u>

LUCAS COUNTY
**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

	Balance <u>1/1/2015</u>	Additions	Disposals	Balance <u>12/31/2015</u>
Property and equipment:				
Leasehold improvements	\$ 161,047	\$ -	\$ -	\$ 161,047
Furniture and fixtures	35,122	1,371	-	36,493
Computer equipment	1,251,237	18,781	(122,148)	1,147,870
Office equipment	12,885	-	-	12,885
Vehicles	17,331	-	-	17,331
Total property and equipment	<u>1,477,622</u>	<u>20,152</u>	<u>(122,148)</u>	<u>1,375,626</u>
Accumulated Depreciation:				
Furniture and Fixtures	(31,486)	(751)	-	(32,237)
Computer Equipment	(922,306)	(116,184)	120,723	(917,767)
Office Equipment	(9,638)	(660)	-	(10,298)
Vehicles	(17,331)	-	-	(17,331)
Other	(161,048)	-	-	(161,048)
	<u>(1,141,809)</u>	<u>(117,595)</u>	<u>120,723</u>	<u>(1,138,681)</u>
Net property and equipment	<u>\$ 335,813</u>	<u>\$ (97,443)</u>	<u>\$ (1,425)</u>	<u>\$ 236,945</u>

Note: Computer Equipment and Office Equipment accumulated depreciation balance at 1/1/2015 was restated to reflect actual balances. Balances were improperly recorded in 2012 after a correcting entry had been made to these accounts. Net property and equipment does not change and results in no cumulative effect on prior period financial statements.

5. LEASE COMMITMENTS
Operating leases

In April, 2003, the Council entered into an operating lease for a new office facility under a subleasing agreement with the City of Toledo which expired April 2008. The current arrangement is a month to month lease with monthly rent payments of \$11,250. This amount includes operating expenses such as electricity and maintenance. Total rent expense under this building lease for the years ended December 31, 2016 and 2015 was \$135,000 and \$33,750, respectively. For the year ended December 31, 2015, the City of Toledo waived rent for nine months.

The Council entered into a sixty month operating lease for a copier in February 2014. Total payments which include copier supplies and the lease expense amounted to \$4,837 and \$3,753, respectively, for the years ended December 31, 2016 and 2015.

LUCAS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

The minimum future annual rental commitment under all the Council leases at December 31, 2016 is as follows:

<u>Year</u>	
2017	3,392
2018	3,392
2019	565
	<u>\$ 7,349</u>

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The Council contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS administers three separate 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 plan with defined contribution features. While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the ORC assigns the Council to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues separate, publicly available financial report that includes the financial statements and required supplemental information. These reports may be obtained by contacting the OPERS at 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-PERS (7377) or www.opers.org/investments/cafr.shtml.

In accordance with GASB Statement No. 68, employers participating in the cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plan. Although changes in the net pension liability generally are recognized as pension expense in the current period, GASB 68 requires certain items to be deferred and recognized as expense in the future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

The net pension liability of the traditional pension plan and the Council's proportionate share of this net pension liability as of December 31, 2016 are as follows:

LUCAS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

OPERS

Net pension liability – all employers	\$ 17,321,260,626
Proportion of the net pension liability	0.015049%
Proportion share of net pension liability	\$ 2,606,678
Change in proportion of the net pension liability	0.000140%

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of December 31, 2016:

OPERS

Deferred Outflows of Resources

Net difference between projected and actual earnings on	
Pension plan investments	\$ 765,524
Change in Council’s proportionate share	11,555
Council contributions subsequent to the measurement date	243,517
Total	<u>\$ 1,020,596</u>

OPERS

Deferred Inflows of Resources

Difference between expected and actual experience	<u>\$ 50,206</u>
---	------------------

\$243,517 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

OPERS

2017	\$ 172,818
2018	184,955
2019	195,708
2020	173,392
	<u>\$ 726,873</u>

Summary of Employer Pension Expense

Total pension expense recognized for the year ended December 31, 2016 including employer contributions and accruals associated with recognition of the change in net pension liability and related deferrals is \$173,923.

LUCAS COUNTY
**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for the retirement system:

	OPERS
Benefit Formula	<p>Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 or more years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. 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.</p> <p>The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p>
Cost-of-Living Adjustments	<p>Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple</p>
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2016, employer rates for the State and Local Divisions were 14% of covered payroll. Member rates for the State and Local Divisions were 10% of covered payroll.
Measurement Date	December 31, 2015
Actuarial Assumptions	<p>Valuation Date: December 31, 2015 Actuarial Cost Method: Individual entry age Investment Rate of Return: 8.00% Wage Inflation: 3.75% Projected Salary Increases: 4.25% - 10.05%, including wage inflation</p>
Mortality Rates	RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled male mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.
Date of Last Experience Study	5 Year Period Ended December 31, 2010

LUCAS COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

	OPERS																										
Investment Return Assumptions	<p>The long term expected 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th align="center">Target Allocation</th> <th align="center">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td align="center">23.0%</td> <td align="center">2.31%</td> </tr> <tr> <td>Domestic Equity</td> <td align="center">20.7%</td> <td align="center">5.84%</td> </tr> <tr> <td>Real Estate</td> <td align="center">10.0%</td> <td align="center">4.25%</td> </tr> <tr> <td>Private Equity</td> <td align="center">10.0%</td> <td align="center">9.25%</td> </tr> <tr> <td>International Equity</td> <td align="center">18.3%</td> <td align="center">7.40%</td> </tr> <tr> <td>Other Investments</td> <td align="center">18.0%</td> <td align="center">4.59%</td> </tr> <tr> <td>Total</td> <td align="center"><u>100.0%</u></td> <td align="center"><u>5.27%</u></td> </tr> </tbody> </table> <p>*Returns presented as arithmetic means</p>			Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.31%	Domestic Equity	20.7%	5.84%	Real Estate	10.0%	4.25%	Private Equity	10.0%	9.25%	International Equity	18.3%	7.40%	Other Investments	18.0%	4.59%	Total	<u>100.0%</u>	<u>5.27%</u>
Asset Class	Target Allocation	Long Term Expected Return*																									
Fixed Income	23.0%	2.31%																									
Domestic Equity	20.7%	5.84%																									
Real Estate	10.0%	4.25%																									
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Other Investments	18.0%	4.59%																									
Total	<u>100.0%</u>	<u>5.27%</u>																									
Discount Rate	<p>The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p>																										
Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in Discount Rate	1% Decrease (7.00%) \$4,153,073	Current Discount Rate (8.00%) \$2,606,678	1% Increase (9.00%) \$1,302,340																								

Defined Contribution Plans

OPERS also offer a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost of living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Combined Plans

OPERS also offer a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefits. Employees electing the combined plan receive post-retirement health care benefits. OPERS provide retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Post-Retirement Health Care Benefits

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advanced-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code, funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

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

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

Funding Policy

ORC provides OPERS statutory Council to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Council are 10% and 14%, respectively.

The Council's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2016 and for each of the two preceding years were \$243,517, \$232,849 and \$222,465.

The Council's contributions allocated to fund post-retirement health care benefits, which represent 100% of required employer contributions, for the year ended December 31, 2016 and for each of the two preceding years were \$40,586, \$38,623 and \$37,263.

LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

7. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

The Council employees participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred wages and any earned income are not subject to taxes until actually received by the employee.

8. RISK MANAGEMENT

The Council maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Property and equipment are 90% co-insured. A liability policy covers all employees, elected and appointed officials, board members, and volunteers. None of the Council's settlements have exceeded the insurance coverage for any of the past three fiscal years. There has been no reduction in coverage.

The Council provides health insurance to its employees in conjunction with Lucas County. Lucas County is self-insured for health and dental benefits. The Council is charged for its participant's share of the cost for its covered employees. The unpaid claim liability, if any, has not been determined.

9. SETTLEMENT

On October 17, 1997, the Council entered into a settlement agreement with a computer consultant it sued for breach of contract. Under the terms of the agreement, the Council received a settlement of \$800,000. The settlement is to be received in quarterly installments of \$7,500 plus the proceeds from an escrow account and any proceeds received from the settling defendant's bankruptcy trustee. Amounts related to the settlement are recorded as revenue when they are received. In 2016, 2015, and 2014, the Council did not receive any payments. Payments received are to be reimbursed to the County of Lucas and the City of Toledo for funds they paid to the Council for the consultant. The amount of proceeds, if any that will be received when the bankruptcy is settled is undeterminable.

10. COMMITMENTS AND CONTINGENCIES

Grants

The Council received financial assistance from federal agencies in the form of grants. The disbursement 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 Council. However, in the opinion of Council management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Council at December 31, 2016 and 2015.

LUCAS COUNTY

Schedule of Operating Revenues
For the Years Ending December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Contract services		
City of Toledo	\$ 1,685,750	\$ 1,720,000
Lucas County	664,785	659,431
CCNO	307,053	303,402
Other	<u>1,014,537</u>	<u>962,853</u>
Total contract services	3,672,125	3,645,686
Grants	131,366	72,693
Charges for services	141,362	132,172
Computer equipment and software	230,840	699,803
Other	<u>107,931</u>	<u>5,393</u>
	<u>\$ 4,283,624</u>	<u>\$ 4,555,747</u>

REQUIRED SUPPLEMENTARY INFORMATION

LUCAS COUNTY

**Required Supplementary Information on GASB 68 Pension Liabilities
 Schedule of The Council's Proportionate Share of OPERS Net Pension Liability
 Ohio Public Employees Retirement System (OPERS)**

LAST THREE MEASUREMENT YEARS

<i>Traditional Plan</i>	2015	2014	2013
Council's proportion of the collective net pension liability	0.015049%	.014909%	.014909%
Council's proportionate share of the collective net pension liability	\$2,606,678	\$1,798,192	\$1,757,577
Council's covered employee payroll	\$1,940,407	\$1,853,879	\$1,763,896
Council's proportionate share of the collective net pension liability as a percentage of the employer's covered-employee payroll	134.34%	96.99%	99.64%
Pension plan's fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LUCAS COUNTY

**Required Supplementary Information on GASB 68 Pension Liabilities
 Schedule of The Council's Contributions
 Ohio Public Employees Retirement System (OPERS)**

LAST FOUR YEARS

<i>Traditional Plan</i>	2016	2015*	2014*	2013*
Contractually required contributions	\$ 243,517	\$ 232,849	\$ 222,465	\$ 229,306
Contributions in relation to the contractually required contributions	\$ 243,517	\$ 232,849	\$ 222,465	\$ 229,306
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Council's covered-employee payroll	\$ 2,029,038	\$ 1,940,407	\$ 1,853,879	\$ 1,763,896
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

Note: Information prior to 2013 was unavailable.

*Contractually required contributions were restated to only report contributions toward pension benefits.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LUCAS COUNTY

**Notes To Required Supplementary Information
For the Year Ended December 31, 2016
Ohio Public Employees Retirement System (OPERS)**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2016 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2016 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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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**INDEPENDENT AUDITORS' REPORT**

To the Council
Criminal Justice Coordinating Council
Toledo, Ohio:

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 business-type activities and the remaining fund information of the Criminal Justice Coordinating Council (the "Council") as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 20, 2017, wherein we noted that Council's basic financial statements for the year ended December 31, 2015, were audited by other auditors.

Internal Control over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 20, 2017



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Dave Yost • Auditor of State

CRIMINAL JUSTICE COORDINATING COUNCIL

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
AUGUST 15, 2017**