



Dave Yost • Auditor of State

LAKE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 County'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 County'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Developmental Disabilities, and Alcohol Drug Addiction and Mental Health Service Board (ADAMHS) Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The federal awards expenditures schedule presents additional analysis as 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 basic financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 August 21, 2014, on our consideration of the County'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 County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

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LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

In total, net position increased \$24,952,886. Net position of governmental activities increased \$19,342,667, which represents an 8 percent increase from 2012. Net position of business-type activities increased \$5,610,219 or 3 percent from 2012.

General revenues accounted for \$101,223,193 in revenue or 46 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$121,237,263 or 54 percent of total revenues of \$222,460,456.

Total assets of governmental activities increased by \$17,211,547, and total assets of business-type activities increased by \$5,641,675.

The County had \$161,009,772 in expenses related to governmental activities; only \$79,232,763 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$101,019,676 were sufficient to offset the remainder of the total expenses, thus resulting in the net position increase disclosed above.

The total of the County's long-term debt, short-term debt and compensated absences decreased by \$97,542 during 2013.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lake County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of Lake County, the general fund is the most significant fund.

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the County's net position and the change in that net position. This change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, non-financial information such as changes in the County's tax base and the condition of County capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the County is divided into three kinds of activities:

- **Governmental Activities** – Most of the County's programs and services are reported here including general government, judicial and public safety, public works, human services, health and community and economic development and all departments with the exception of our Water, Wastewater and Solid Waste Funds.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The County charges fees to recoup the cost of the entire operation of its Water, Wastewater and Solid Waste Funds as well as all capital expenses associated with these facilities.

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- **Component Units** – The County includes financial data of Deepwood Industries, Inc. (the Workshop) and the Lake County Port Authority (the Port Authority). The Workshop is a legally separate, non-profit organization served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Lake County Developmental Disabilities Board, provides a comprehensive program of services, including employment for developmentally disabled citizens. The Port Authority was created during 2007 for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County. The Port Authority has a seven member Board of Directors. The component units are separate and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name.

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, the Developmental Disabilities Board Fund (DD Board), the Alcohol, Drug Addiction and Mental Health Services Board Fund (ADAMHS Board) and the Special Assessment Debt Service Fund.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a

LAKE COUNTY, OHIO

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reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 22-28 of this report.

Proprietary Funds: The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Water, Wastewater and Solid Waste operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central purchasing, mailroom, and vehicle maintenance departments as well as for its self-insurance programs for prescription and dental coverage. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the County-wide financial statements. The proprietary fund financial statements can be found on pages 29-32 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds. The County's fiduciary funds are agency funds and the fiduciary fund financial statement can be found on page 33 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-83 of this report.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

Government-wide Financial Analysis

The following provides a summary of the County's Net Position for 2013 and 2012:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 193,033,849	\$ 176,135,677	\$ 58,512,200	\$ 59,932,845	\$ 251,546,049	\$ 236,068,522
Capital Assets	<u>152,706,549</u>	<u>152,393,174</u>	<u>203,620,102</u>	<u>196,557,782</u>	<u>356,326,651</u>	<u>348,950,956</u>
Total Assets	<u>345,740,398</u>	<u>328,528,851</u>	<u>262,132,302</u>	<u>256,490,627</u>	<u>607,872,700</u>	<u>585,019,478</u>
Deferred Outflows of Resources						
Deferred Refunding Loss	<u>279,236</u>	<u>78,623</u>	<u>0</u>	<u>0</u>	<u>279,236</u>	<u>78,623</u>
Liabilities						
Long Term Liabilities	36,805,932	40,554,220	48,091,265	44,440,519	84,897,197	84,994,739
Other Liabilities	<u>7,964,067</u>	<u>5,055,334</u>	<u>5,632,704</u>	<u>9,251,994</u>	<u>13,596,771</u>	<u>14,307,328</u>
Total Liabilities	<u>44,769,999</u>	<u>45,609,554</u>	<u>53,723,969</u>	<u>53,692,513</u>	<u>98,493,968</u>	<u>99,302,067</u>
Deferred Inflows of Resources						
Deferred Inflows - Revenues	<u>40,449,961</u>	<u>41,540,913</u>	<u>0</u>	<u>0</u>	<u>40,449,961</u>	<u>41,540,913</u>
Net Position						
Net Investment in Capital Assets	126,668,924	124,160,114	179,979,960	170,485,659	306,648,884	294,645,773
Restricted	88,020,970	77,845,388	0	0	88,020,970	77,845,388
Unrestricted	<u>46,109,780</u>	<u>39,451,505</u>	<u>28,428,373</u>	<u>32,312,455</u>	<u>74,538,153</u>	<u>71,763,960</u>
Total Net Position	<u>\$ 260,799,674</u>	<u>\$ 241,457,007</u>	<u>\$ 208,408,333</u>	<u>\$ 202,798,114</u>	<u>\$ 469,208,007</u>	<u>\$ 444,255,121</u>

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$469,208,007 (\$260,799,674 in governmental activities and \$208,408,333 in business type activities) as of December 31, 2013.

A large portion of the County's net position \$306,648,884 (65 percent) reflect its investment in capital assets (e.g., land, building, infrastructure and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of net position, \$88,020,970 (19 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$74,538,153 (16 percent), of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2013, the County is able to report positive balances in all three categories of net position, both for the County as a whole, as well as for its separate governmental and business-type activities. The County also reported positive balances in all categories of net position in 2012.

Total assets increased \$22,853,222 which represented a 4 percent increase over 2012. Total assets of governmental activities increased \$17,211,547 primarily due to an increase in cash and cash equivalents of \$11.6 million and a \$8.4 million increase in intergovernmental receivables. The increased sales tax collections for all of 2013 represented the first full year of the one-half percent sales tax increase and the increase in intergovernmental receivables related to grants. This was offset by a \$1.3 million decrease in special assessments receivable, a \$0.5 million decrease in accounts receivable, and a \$0.2 million decrease in taxes receivable.

Total assets of business-type activities increased \$5.7 million primarily due to a \$7.1 million increase in capital assets, which related to completed construction projects. This was offset by a \$1.7 million decrease in cash and cash equivalents.

Table 2 shows the changes in net position for the year ended December 31, 2013 and 2012.

LAKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2013 Unaudited

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$22,158,811	\$27,359,716	\$40,850,470	\$41,922,586	\$63,009,281	\$69,282,302
Operating Grants and Contributions	54,844,336	50,865,760			54,844,336	50,865,760
Capital Grant and Contributions	2,229,616	548,948	1,154,030	1,476,469	3,383,646	2,025,417
Total Program Revenues	79,232,763	78,774,424	42,004,500	43,399,055	121,237,263	122,173,479
General Revenues:						
Property Taxes	44,956,991	51,982,800			44,956,991	51,982,800
Sales Tax	32,694,930	26,083,650			32,694,930	26,083,650
Conveyance Tax	2,538,644	2,219,011			2,538,644	2,219,011
Lodging Tax	815,766	790,308			815,766	790,308
Grants and Entitlements not Restricted	11,238,057	13,433,353			11,238,057	13,433,353
Interest	191,522	1,396,050	44	9,975	191,566	1,406,025
Miscellaneous	8,583,766	14,102,300	203,473	2,826,211	8,787,239	16,928,511
Total General Revenues	101,019,676	110,007,472	203,517	2,836,186	101,223,193	112,843,658
Total Revenues	180,252,439	188,781,896	42,208,017	46,235,241	222,460,456	235,017,137
Program Expenses						
General Government	16,727,336	17,245,466			16,727,336	17,245,466
Judicial and Public Safety	46,110,544	41,066,872			46,110,544	41,066,872
Public Works	16,496,812	17,123,306			16,496,812	17,123,306
Human Services	61,276,576	63,794,908			61,276,576	63,794,908
Health	15,803,620	19,325,075			15,803,620	19,325,075
Community & Econ. Development	3,269,743	4,357,224			3,269,743	4,357,224
Interest and Fiscal Charges	1,325,141	1,140,429			1,325,141	1,140,429
Water District			14,261,447	10,639,760	14,261,447	10,639,760
Wastewater District			15,682,926	12,975,168	15,682,926	12,975,168
Solid Waste District			6,553,425	8,110,895	6,553,425	8,110,895
Total Program Expenses	161,009,772	164,053,280	36,497,798	31,725,823	197,507,570	195,779,103
Increase (Decrease) in Net Position Before Transfers	19,242,667	24,728,616	5,710,219	14,509,418	24,952,886	39,238,034
Transfers	100,000	100,000	(100,000)	(100,000)	0	0
Change in Net Position	19,342,667	24,828,616	5,610,219	14,409,418	24,952,886	39,238,034
Net Position - January 1	241,457,007	216,628,391	202,798,114	188,388,696	444,255,121	405,017,087
Net Position - December 31	\$260,799,674	\$241,457,007	\$208,408,333	\$202,798,114	\$469,208,007	\$444,255,121

Total governmental activities expenses decreased from \$164,053,280 in 2012 to \$161,009,772 in 2013. Of the total \$161 million in governmental activities expenses, \$22,158,811 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related

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*Management's Discussion and Analysis
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to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions increased from \$50,865,760 in 2012 to \$54,844,336 in 2013 due to an increase in grants received. Property taxes decreased by 17 percent as compared to 2012 due to the County's 2.1 inside mills being reduced to 1.0 mils in conjunction with the previously mentioned one-half percent sales tax increase, which resulted in the 25 percent sales tax revenue increase. In January of 2012 the Board of Commissioners approved a one-half percent sales tax which became effective April 1, 2012 with the first collection of sales tax in July 2012. 2013 represented the first full year of the new sales tax rate. Real estate conveyance taxes increased 14 percent as the local and national real estate sales market continued its upward trend. Interest revenue decreased by \$1.2 million, or 86 percent, from the prior year. This reflects the continued nationwide decrease in investment interest rates. Charges for services to users in the business-type activities amounted to \$40,850,470 and an additional \$1,154,030 was received during the year for grants and contributions for capital expenses. These two revenue sources more than offset the \$36,420,872 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$61,276,576 of expenses for governmental activities, or 38 percent of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenses in the human services program decreased by \$2.5 million, which was primarily due to the State of Ohio taking over the function of Medicaid services. This function was previously handled by the ADAMHS Board. In addition, expenditures for the DD Board were reduced in 2013 as compared to 2012 because of a reduction in payroll related expenditures. The judicial and public safety program and the general government program account for the largest number of departments and between these two functions, expenditures increased \$4.5 million in 2013 as compared to 2012, primarily due to an increase in health care costs. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized decrease in expenses of \$1.1 million. Interest and fiscal charges on debt amounted to \$1.3 million in 2013, which was a 16 percent increase from 2012.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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*Management's Discussion and Analysis
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Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$110,661,753. \$13,044,291 of this total amount constitutes unassigned fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,361,133 while the total fund balance was \$27,243,472. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 30 percent of total General Fund expenditures, while total fund balance represents 61 percent of that same amount.

The fund balance of the County's General Fund decreased by \$0.7 million during the current fiscal year. Overall General Fund revenues decreased in 2013 by \$4.0 million as compared to the previous year. The primary reason for this decrease is a large decrease in property tax revenue, miscellaneous revenue and interest revenue. These decreases were offset by a large increase in sales tax revenue and smaller increases in intergovernmental, fees and charges for services, and conveyance and other local tax revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$14.0 million during 2013.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$8.9 million primarily due to a decrease in expenses due to the agency not having to pay local match money on waivers, as previously stated, and also a reduction in hospitalization costs. The fund balance of the ADAMHS Board Fund decreased by \$2.5 million primarily because of reduced federal Medicaid received in 2013, as well as additional one-time funding from the State. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,758,913 in 2012 to \$2,722,587 in 2013.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Fund had unrestricted net position at the end of the year of \$20,395,906, which was a 19 percent decrease from 2012. This decrease was primarily due to an increased investment in capital assets, which has a corresponding decrease on unrestricted net position. Unrestricted net position for the Wastewater Fund amounted to \$18,152,573 which was a 2 percent increase as compared to 2012. The Solid Waste Fund's unrestricted net position amounted to a negative \$10,120,106 which is

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due to the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. The County will reduce this deficit on an annual basis as it reduces the long-term liability for the landfill closure and post-closure costs over the remaining life of the landfill. Operating revenues for all proprietary funds decreased from \$42,177,945 to \$41,053,943, or by 3 percent, in 2013 as compared to 2012 while operating expenses also increased by \$4,948,252 or 16 percent. This is primarily due to a decrease in fees, permits, and tap-ins within the water and waste-water funds.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues increased by \$6,978,215 as compared to the original budget for a total increase of 14 percent, primarily due to increases in the estimates for sales tax and intergovernmental revenue. Actual revenues received were \$62,368 higher than the final certification.

Final budgeted expenditures and other financing uses increased by \$8,803,584 from the original budget. However, actual expenditures and other financing uses were \$1,614,579 less than final budgeted appropriations, which amounted to a 3 percent reduction from the final expenditure budget. The final budgeted appropriations increase was an increase in transfers out and advances out. The transfers were needed to establish a hospitalization fund and an economic development fund while the advance was to the Homeland Security fund in order to purchase equipment.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

Capital Assets and Debt Administration

Capital Assets:

Table 3 shows 2013 values compared to 2012.

Table 3
Capital Assets at December 31
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,505,399	\$ 3,522,603	\$ 4,361,996	\$ 4,361,996	\$ 7,867,395	\$ 7,884,599
Construction in Progress	30,155,838	31,654,754	17,112,804	22,197,666	47,268,642	53,852,420
Land Improvements	237,038	107,637	99,163	111,738	336,201	219,375
Building & Other Structures	43,972,850	39,283,665			43,972,850	39,283,665
Furniture and Equipment	7,026,129	7,482,099	2,382,528	2,224,759	9,408,657	9,706,858
Infrastructure	67,809,295	70,342,416			67,809,295	70,342,416
Utility Plant in Service			179,663,613	167,661,623	179,663,613	167,661,623
Total Capital Assets	\$ 152,706,549	\$ 152,393,174	\$ 203,620,104	\$ 196,557,782	\$ 356,326,653	\$ 348,950,956

The County's investment in capital assets for its governmental and business type activities as of December 31, 2013, amount to \$306,648,884 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

Major capital asset events during the current fiscal year included the following:

- Total additions to construction-in-progress for governmental activities amounted to \$4.4 million in 2013 and reductions amounted to \$5.9 million.
- The purchase of \$127,750 in equipment for Emergency Management operations.
- The purchase of \$1.1 million in miscellaneous building improvements and equipment for the DD Board.
- Various building improvements and equipment totaling \$6.4 million for various buildings and locations throughout the County. \$5.9 million represents previous construction in progress.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

- The completion of \$12.0 million in infrastructure projects with an additional \$17.1 million remaining in construction in progress for business-type activities.
- The deletions of \$2.1 million were made up of mostly obsolescent vehicles and engineer's equipment within governmental activities.

Additional information on the County's capital assets can be found in Note F of this report.

Debt

Table 4 below summarizes the County's long-term obligations outstanding.

Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 13,430,000	\$ 14,060,000	\$ 2,838,196	\$ 2,937,949	\$ 16,268,196	\$ 16,997,949
General Obligation Notes	2,008,340	2,850,000	0	0	2,008,340	2,850,000
Special Assessment Bonds	9,901,804	10,562,051	0	0	9,901,804	10,562,051
OWDA Loans	0	0	20,277,865	17,105,809	20,277,865	17,105,809
Other Long-term Liabilities	705,821	756,707	524,081	508,365	1,229,902	1,265,072
Capital Leases	0	4,302			0	4,302
Unamortized Premium on Debt	561,881	486,325			561,881	486,325
Landfill Closure & Postclosure			22,947,456	22,022,147	22,947,456	22,022,147
Compensated Absences	10,198,086	11,834,835	1,503,667	1,866,249	11,701,753	13,701,084
	<u>\$ 36,805,932</u>	<u>\$ 40,554,220</u>	<u>\$ 48,091,265</u>	<u>\$ 44,440,519</u>	<u>\$ 84,897,197</u>	<u>\$ 84,994,739</u>

Of the debt outstanding at December 31, 2013, the general obligation bonds and notes are backed by the full faith and credit of the County and the special assessment bonds are debt that the County is liable for in the event of default by the property owner subject to the assessment. The Ohio Water Development Authority Loans (OWDA) are for water and wastewater utility improvements. The Other Long-term Liabilities are for water and wastewater utility improvements and road improvements. Capital leases are for the acquisition of capital assets which are paid for over the lease period. Compensated absences are unpaid leave benefits accumulated by County employees and are payable upon termination of employment, subject to certain restrictions.

Interest and fiscal charges amounted to 0.8 percent of expenses for governmental activities.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

The County's governmental long-term general obligations decreased by \$3,748,288, or 9 percent, in 2013. The County refunded bonds during the year in the amount of \$9,160,000, which was one of the reasons for the overall decrease. The long-term obligations for business-type activities increased by \$3,650,746, or 8 percent, during 2013. The County issued \$50,000 in Ohio Public Works Commission Loans and \$5,162,087 in Ohio Water Development Authority Loans during 2013 for business-type activities and an additional \$0.9 million debt was recorded for the landfill closure and post-closure costs. During the year, the County retired \$2.9 million in long-term notes and \$5.5 million in short-term notes for business-type activities and did not reissue new notes.

The County maintains an "Aa1" credit rating from Moody's Investor Services, Inc. The overall debt margin at December 31, 2013 was \$125.5 million with an unvoted total debt margin of \$41.1 million. Additional information on the County's long-term debt can be found in Note H of this report.

Economic Factors and Next Year's Budgets and Rates

As previously stated, the unassigned fund balance in the General Fund increased in 2013 as a direct result of the sales tax revenue increase. In January of 2012, the Board of Commissioners approved a one-half percent sales tax increase effective April 1, 2012. The first collection of sales tax occurred in July of 2012. Along with the sales tax increase, the Commissioners also passed a reduction of inside millage from 2.1 mills to 1.0 mills for tax year 2011, collection year 2012. Due to the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. Over the last several years, the Commissioners have instituted a hiring freeze. The Commissioners are reviewing all "non-statutorily" mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

The County's portion of federal and state based revenue has also been affected by the economic conditions. The State Ohio has experienced revenue losses and, as a result, has instituted cutbacks to state agencies and in their allocations to county and other local governments. These reduced federal and state funding/reimbursements for various programs have, in some cases, resulted in additional pressure on the General Fund balance, as well as several other County funds.

As previously stated, the County's returns on investments continued to suffer in 2013, as has been the case since 2007, due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$0.9 million in 2013. While the County has suffered from significantly reduced interest earnings on investments in recent years as compared to the previous decade, the County Commissioners have taken advantage of the market in regards to the County's recent debt issuances. The low market rates have allowed the Commissioners to obtain very low interest

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited*

rates on both short-term and long-term borrowing to finance capital improvements to buildings and infrastructure.

Inflationary trends for the County fared favorably to national and state indices, but are still not very encouraging due to the state of the national economy. The unemployment rate for the County at the end of 2013 was 6.7 percent, which increased from 6.2 percent a year ago. The County's rate compares favorably to the State average which was 6.6 percent and the Federal rate which was 6.7 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties who are facing significant financial hardships and budget reductions. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction continued to drop significantly in 2013, as it has in the last few years, which again is due to the national economic condition and the poor real estate market. The County is fortunate to have a fairly large amount of undeveloped land in the eastern and southern portions of the County which can hopefully house future new development once the economy improves.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Edward H. Zupancic, Lake County Auditor, 105 Main Street, Painesville, Ohio 44077, (440) 350-2532, or email at: auditor@lakecountyohio.gov, or visit the County Web Site at: <http://www.lakecountyohio.gov>.

LAKE COUNTY, OHIO
Statement of Net Position
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 109,516,408	\$ 46,119,172	\$ 155,635,580	\$ 753,693	\$ 485,661
Receivables:					
Property Taxes	44,907,588	-	44,907,588	-	-
Sales Tax	5,316,512	-	5,316,512	-	-
Accounts	600,027	6,493,246	7,093,273	56,720	286,064
Unbilled Accounts	-	4,182,312	4,182,312	-	-
Other Receivables	-	-	-	-	337,357
Special Assessments	13,864,450	-	13,864,450	-	-
Accrued Interest	379,327	44	379,371	-	-
Due from Other Governments	16,734,331	-	16,734,331	-	-
Materials and Supplies Inventory	1,325,995	1,675,901	3,001,896	-	-
Internal Balances	15,805	(15,805)	-	-	-
Loans Receivable	141,477	-	141,477	-	6,000
Prepaid Items	231,929	57,330	289,259	13,422	-
Nondepreciable Capital Assets	33,661,237	4,745,819	38,407,056	-	-
Depreciable Capital Assets (Net)	119,045,312	198,874,283	317,919,595	4,616	-
<i>Total Assets</i>	<u>345,740,398</u>	<u>262,132,302</u>	<u>607,872,700</u>	<u>828,451</u>	<u>1,115,082</u>
Deferred Outflows of Resources					
Deferred Charge on Refunding	279,236	-	279,236	-	-
Liabilities					
Accounts Payable	2,627,809	784,665	3,412,474	2,701	75,324
Accrued Wages and Benefits	3,076,904	411,199	3,488,103	31,876	8,108
Matured Compensated Absences Payable	145,418	-	145,418	-	-
Accrued Interest Payable	98,129	8,961	107,090	-	-
Due to Other Governments	1,900,293	1,481,205	3,381,498	782	-
Unearned Revenue	-	2,557,766	2,557,766	-	-
Customer Deposits	-	388,908	388,908	-	-
Claims Payable	115,514	-	115,514	-	-
Long Term Liabilities:					
Due Within One Year	2,644,877	2,441,363	5,086,240	-	-
Due Within More Than One Year	34,161,055	45,649,902	79,810,957	-	479,618
<i>Total Liabilities</i>	<u>44,769,999</u>	<u>53,723,969</u>	<u>98,493,968</u>	<u>35,359</u>	<u>563,050</u>
Deferred Inflows of Resources					
Property Taxes	40,449,961	-	40,449,961	-	-
Net Position					
Net Investment in Capital Assets	126,668,924	179,979,960	306,648,884	4,616	-
Restricted for:					
Capital Projects	10,088,091	-	10,088,091	-	-
Other Purposes	6,655,201	-	6,655,201	12,228	-
Public Assistance/Human Services	38,342,695	-	38,342,695	-	-
Roads & Bridges	5,386,022	-	5,386,022	-	-
Health Programs	5,988,650	-	5,988,650	-	-
Judicial/Public Safety Grants/Programs	10,942,893	-	10,942,893	-	-
Economic Development	946,478	-	946,478	-	-
Children's Services Programs	5,490,405	-	5,490,405	-	-
Other Public Works Activity	4,180,535	-	4,180,535	-	-
Unrestricted	46,109,780	28,428,373	74,538,153	776,248	552,032
<i>Total Net Position</i>	<u>\$ 260,799,674</u>	<u>\$ 208,408,333</u>	<u>\$ 469,208,007</u>	<u>\$ 793,092</u>	<u>\$ 552,032</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues		
		Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 16,727,336	\$ 6,928,401	\$ 3,139	\$ -
Judicial & Public Safety	46,110,544	11,047,147	5,346,782	446,025
Public Works	16,496,812	1,944,285	8,426,565	1,783,591
Human Services	61,276,576	1,694,989	35,023,997	-
Health	15,803,620	543,989	4,112,819	-
Community & Economic Development	3,269,743	-	1,931,034	-
Interest and Fiscal Charges	1,325,141	-	-	-
<i>Total Governmental Activities</i>	<u>161,009,772</u>	<u>22,158,811</u>	<u>54,844,336</u>	<u>2,229,616</u>
Business-Type Activities				
Water	14,261,447	16,988,737	-	582,039
Waste-Water	15,682,926	17,477,669	-	571,991
Solid Waste	6,553,425	6,384,064	-	-
<i>Total Business-Type Activities</i>	<u>36,497,798</u>	<u>40,850,470</u>	<u>-</u>	<u>1,154,030</u>
<i>Total - Primary Government</i>	<u>\$ 197,507,570</u>	<u>\$ 63,009,281</u>	<u>\$ 54,844,336</u>	<u>\$ 3,383,646</u>
Component Units				
Workshop	\$ 554,840	\$ 503,868	\$ 81,122	\$ -
Port Authority	1,099,666	108,403	1,028,998	-
<i>Total - Component Units</i>	<u>\$ 1,654,506</u>	<u>\$ 612,271</u>	<u>\$ 1,110,120</u>	<u>\$ -</u>

General Revenues

Property Taxes Levied for:
General Purposes
Developmental Disabilities
Mental Health
Children's Services
Narcotics Agency
Forensic Crime Laboratory
Senior Citizens Services
Sales Taxes Levied for General Purposes
Conveyance Tax Levied for General Purposes
Lodging Tax Levied for Specific Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Net Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
\$ (9,795,796)	\$ -	\$ (9,795,796)	\$ -	\$ -
(29,270,590)	-	(29,270,590)	-	-
(4,342,371)	-	(4,342,371)	-	-
(24,557,590)	-	(24,557,590)	-	-
(11,146,812)	-	(11,146,812)	-	-
(1,338,709)	-	(1,338,709)	-	-
(1,325,141)	-	(1,325,141)	-	-
(81,777,009)	-	(81,777,009)	-	-
-	3,309,329	3,309,329	-	-
-	2,366,734	2,366,734	-	-
-	(169,361)	(169,361)	-	-
-	5,506,702	5,506,702	-	-
<u>\$ (81,777,009)</u>	<u>\$ 5,506,702</u>	<u>\$ (76,270,307)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 30,150	\$ -
-	-	-	-	37,735
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,150</u>	<u>\$ 37,735</u>
5,079,554	-	5,079,554	-	-
23,878,186	-	23,878,186	-	-
8,140,911	-	8,140,911	-	-
3,070,127	-	3,070,127	-	-
1,084,491	-	1,084,491	-	-
1,158,859	-	1,158,859	-	-
2,544,863	-	2,544,863	-	-
32,694,930	-	32,694,930	-	-
2,538,644	-	2,538,644	-	-
815,766	-	815,766	-	-
11,238,057	-	11,238,057	-	-
191,522	44	191,566	22,138	-
8,583,766	203,473	8,787,239	-	39,589
101,019,676	203,517	101,223,193	22,138	39,589
100,000	(100,000)	-	-	-
19,342,667	5,610,219	24,952,886	52,288	77,324
241,457,007	202,798,114	444,255,121	740,804	474,708
<u>\$ 260,799,674</u>	<u>\$ 208,408,333</u>	<u>\$ 469,208,007</u>	<u>\$ 793,092</u>	<u>\$ 552,032</u>

LAKE COUNTY, OHIO

*Balance Sheet
Governmental Funds
December 31, 2013*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 21,797,779	\$ 31,533,197	\$ 3,154,904	\$ 1,590,672	\$ 43,576,528	\$ 101,653,080
Receivables:						
Property Taxes	5,271,193	24,445,290	8,309,671	-	6,881,434	44,907,588
Sales Tax	5,316,512	-	-	-	-	5,316,512
Accounts	276,998	29,070	-	-	293,959	600,027
Special Assessments	-	-	-	12,865,510	998,940	13,864,450
Accrued Interest	378,759	-	-	-	568	379,327
Due from Other Funds	2,371	-	-	-	213,377	215,748
Due from Other Governments	1,337,762	1,316,689	2,262,797	-	11,807,508	16,724,756
Materials and Supplies Inventory	-	-	-	-	1,303,860	1,303,860
Interfund Receivable	393,526	-	-	-	-	393,526
Loans Receivable	-	-	-	-	141,477	141,477
Prepaid Items	170,240	31,341	4,067	-	23,183	228,831
Total Assets	\$ 34,945,140	\$ 57,355,587	\$ 13,731,439	\$ 14,456,182	\$ 65,240,834	\$ 185,729,182
Liabilities						
Accounts Payable	\$ 431,277	\$ 103,333	\$ 168,857	\$ -	\$ 1,842,342	\$ 2,545,809
Accrued Wages & Benefits	1,132,117	966,417	26,119	-	930,388	3,055,041
Matured Compensated Absences Payable	53,511	46,168	-	-	45,739	145,418
Due to Other Funds	107,993	75	522	-	173,353	281,943
Due to Other Governments	665,193	276,244	17,400	-	914,025	1,872,862
Interfund Payable	-	-	-	-	393,526	393,526
Total Liabilities	2,390,091	1,392,237	212,898	-	4,299,373	8,294,599
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	565,013	2,388,268	779,780	-	724,566	4,457,627
Unavailable Revenue - Special Assessments	-	-	-	11,733,595	-	11,733,595
Unavailable Revenue - Intergovernmental	40,384	83,083	1,605,106	-	8,403,074	10,131,647
Deferred Inflows - Property Taxes	4,706,180	22,057,022	7,529,891	-	6,156,868	40,449,961
Total Deferred Inflows of Resources	5,311,577	24,528,373	9,914,777	11,733,595	15,284,508	66,772,830
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	1,303,860	1,303,860
Prepaid Assets	170,240	31,341	4,067	-	23,183	228,831
Unclaimed Funds	549,273	-	-	-	-	549,273
Restricted for:						
Other Purposes	-	-	-	-	4,468,124	4,468,124
Debt Service	-	-	-	2,722,587	-	2,722,587
Capital Projects	-	-	-	-	11,116,540	11,116,540
Public Assistance/Human Services	-	31,403,636	-	-	1,596,296	32,999,932
Roads & Bridges	-	-	-	-	4,677,930	4,677,930
Health Programs	-	-	3,599,697	-	-	3,599,697
Judicial/Public Safety/Grant Programs	-	-	-	-	10,566,829	10,566,829
Economic Development	-	-	-	-	1,000,391	1,000,391
Children's Services	-	-	-	-	5,298,197	5,298,197
General Government Operations	-	-	-	-	1,649,348	1,649,348
Public Works	-	-	-	-	4,273,097	4,273,097
Committed for:						
Central Communications	1,437,767	-	-	-	-	1,437,767
Budget Stabilization	7,742,400	-	-	-	-	7,742,400
Employee Payroll	3,100,000	-	-	-	-	3,100,000
Assigned for:						
Encumbrances	377,661	-	-	-	-	377,661
Claimants	504,998	-	-	-	-	504,998
Unassigned (Deficit)	13,361,133	-	-	-	(316,842)	13,044,291
Total Fund Balances	27,243,472	31,434,977	3,603,764	2,722,587	45,656,953	110,661,753
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 34,945,140	\$ 57,355,587	\$ 13,731,439	\$ 14,456,182	\$ 65,240,834	\$ 185,729,182

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2013*

Total Governmental Fund Balances	\$	110,661,753
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*Amounts reported for governmental activities in the
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		152,706,549
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Property & Other Local Taxes	4,457,627	
Special Assessments	11,733,595	
Intergovernmental	10,131,647	

Total		26,322,869
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(98,129)
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Certain debt charges reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. Deferred Outflow on Refunded Bonds		279,236
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Net Position	7,611,769	
Capital Assets	(23,847)	
Compensated Absences	145,406	

Total		7,733,328
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(13,430,000)	
Special Assessment Bonds	(9,901,804)	
Long-Term Notes Payable	(2,008,340)	
Other Long-Term Liabilities	(705,821)	
Unamortized Premium on Bonds	(561,881)	
Compensated Absences	(10,198,086)	

Total		(36,805,932)
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Net Position of Governmental Activities	\$	260,799,674
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The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 4,979,112	\$ 23,344,125	\$ 7,966,541	\$ -	\$ 7,822,884	\$ 44,112,662
Sales Tax	32,694,930	-	-	-	-	32,694,930
Conveyance & Other Local Taxes	2,538,644	-	-	-	815,766	3,354,410
Fees & Charges for Services	8,587,595	-	-	-	9,513,561	18,101,156
Licenses & Permits	515,498	-	-	-	2,410,135	2,925,633
Fines & Forfeitures	192,623	-	-	-	1,236,777	1,429,400
Intergovernmental	5,834,496	19,683,040	5,216,233	-	29,386,387	60,120,156
Special Assessments	-	-	-	1,132,577	975,742	2,108,319
Interest	183,732	-	-	-	7,790	191,522
Contributions & Donations	-	12,462	-	-	16,796	29,258
Miscellaneous	2,799,236	1,434,566	462,381	-	3,887,583	8,583,766
Total Revenues	58,325,866	44,474,193	13,645,155	1,132,577	56,073,421	173,651,212
Expenditures						
Current:						
General Government	11,236,561	-	-	-	5,307,354	16,543,915
Judicial & Public Safety	32,391,028	-	-	-	12,993,846	45,384,874
Public Works	227,356	-	-	-	13,038,265	13,265,621
Human Services	1,079,939	35,502,053	-	-	25,178,385	61,760,377
Health	38,050	-	16,109,208	-	561,535	16,708,793
Community & Economic Development	-	-	-	-	3,285,857	3,285,857
Capital Outlay	-	-	-	-	5,360,990	5,360,990
Debt Service:						
Principal Retirement	-	-	-	660,247	3,818,514	4,478,761
Interest and Fiscal Charges	-	-	-	508,656	899,924	1,408,580
Total Expenditures	44,972,934	35,502,053	16,109,208	1,168,903	70,444,670	168,197,768
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>13,352,932</u>	<u>8,972,140</u>	<u>(2,464,053)</u>	<u>(36,326)</u>	<u>(14,371,249)</u>	<u>5,453,444</u>
Other Financing Sources (Uses)						
Note Issuance	-	-	-	-	2,000,000	2,000,000
Premium on Note Issuance	-	-	-	-	8,340	8,340
General Obligation Refunding Bond Issuance	-	-	-	-	9,435,000	9,435,000
Premium on Refunding Bond Issuance	-	-	-	-	562,800	562,800
Proceeds from OPWC Loan	-	-	-	-	8,327	8,327
Proceeds from Sale of Capital Assets	7,660	-	-	-	41,683	49,343
Payment to Refunded Bond Escrow Agent	-	-	-	-	(9,819,114)	(9,819,114)
Transfers In	-	-	-	-	15,416,790	15,416,790
Transfers Out	(14,067,889)	-	-	-	(6,971,335)	(21,039,224)
Total Financing Sources (Uses)	(14,060,229)	-	-	-	10,682,491	(3,377,738)
Net Change in Fund Balance	(707,297)	8,972,140	(2,464,053)	(36,326)	(3,688,758)	2,075,706
Fund Balance Beginning of Year	27,950,769	22,462,837	6,067,817	2,758,913	49,345,711	108,586,047
Fund Balance End of Year	\$ 27,243,472	\$ 31,434,977	\$ 3,603,764	\$ 2,722,587	\$ 45,656,953	\$ 110,661,753

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013*

Net Change in Fund Balances - Total Governmental Funds \$ 2,075,706

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	8,147,295	
Current Year Depreciation	(7,564,591)	
Total		582,704

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (269,329)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property & Other Local Taxes	844,329	
Special Assessments	(1,111,300)	
Intergovernmental	6,868,198	
Total		6,601,227

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds & Loans	1,624,459	
Refunded General Obligation Bond	9,160,000	
Refunded Premium	449,617	
Refunded Deferred Outflow of Resources	(78,623)	
Notes	2,850,000	
Capital Leases	4,302	
Total		14,009,755

The internal service funds used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

Change in Net Position	6,382,355	
Capital Assets	(12,984)	
Compensated Absences	(20,608)	
Total		6,348,763

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		1,636,749
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Governmental funds report premiums and deferred outflows as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Deferred Outflow on Refunded Bonds	(3,933)	
Amortization of Bond Premiums	37,628	
Total		33,695

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

54,695

Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.

Refunding Bonds Issued	(9,435,000)	
Premium on Refunding Bonds Issued	(562,800)	
Notes Issued	(2,000,000)	
Premium on Notes Issued	(8,340)	
OPWC Loan Issued	(8,327)	
Deferred Outflow on Refunded Bonds	283,169	
Total		(11,731,298)

Change in Net Position of Governmental Activities		\$ 19,342,667
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The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 4,821,429	\$ 4,976,829	\$ 4,979,112	\$ 2,283
Sales Tax	28,000,000	32,500,000	32,549,462	49,462
Conveyance & Other Local Taxes	1,801,200	2,551,200	2,538,644	(12,556)
Fees & Charges for Services	5,972,650	6,437,775	6,439,256	1,481
Licenses & Permits	504,152	516,152	521,369	5,217
Fines & Forfeitures	162,000	192,000	194,721	2,721
Intergovernmental	5,089,301	5,613,241	5,625,802	12,561
Interest	1,240,000	955,000	953,934	(1,066)
Miscellaneous	2,184,854	3,008,104	3,002,343	(5,761)
<i>Total Revenues</i>	<u>49,775,586</u>	<u>56,750,301</u>	<u>56,804,643</u>	<u>54,342</u>
Expenditures				
Current:				
General Government	14,236,828	12,139,952	11,279,560	860,392
Judicial & Public Safety	29,857,601	31,576,012	31,229,622	346,390
Public Works	233,426	234,160	228,901	5,259
Human Services	1,279,408	1,172,033	1,078,014	94,019
Health	47,186	45,112	38,038	7,074
<i>Total Expenditures</i>	<u>45,654,449</u>	<u>45,167,269</u>	<u>43,854,135</u>	<u>1,313,134</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,121,137</u>	<u>11,583,032</u>	<u>12,950,508</u>	<u>1,367,476</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	7,500	-	7,660	7,660
Advances In	340,000	351,000	351,366	366
Advances Out	-	(300,000)	(300,000)	-
Transfers In	300,000	300,000	300,000	-
Transfers Out	(5,078,570)	(14,369,334)	(14,067,889)	301,445
<i>Total Other Financing Sources (Uses)</i>	<u>(4,431,070)</u>	<u>(14,018,334)</u>	<u>(13,708,863)</u>	<u>309,471</u>
<i>Net Change in Fund Balance</i>	<u>(309,933)</u>	<u>(2,435,302)</u>	<u>(758,355)</u>	<u>1,676,947</u>
<i>Fund Balance Beginning of Year</i>	19,278,276	19,278,276	19,278,276	-
Prior Year Encumbrances Appropriated	384,541	384,541	384,541	-
<i>Fund Balance End of Year</i>	<u>\$ 19,352,884</u>	<u>\$ 17,227,515</u>	<u>\$ 18,904,462</u>	<u>\$ 1,676,947</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Developmental Disabilities Board Fund
 For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 24,884,750	\$ 23,304,691	\$ 23,344,125	\$ 39,434
Intergovernmental	18,139,238	19,960,897	20,036,172	75,275
Contributions & Donations	8,000	8,000	12,462	4,462
Miscellaneous	1,348,915	1,822,046	1,805,592	(16,454)
<i>Total Revenues</i>	44,380,903	45,095,634	45,198,351	102,717
Expenditures				
Current:				
Human Services	41,363,689	41,360,958	35,646,087	5,714,871
<i>Excess of Revenues Over (Under) Expenditures</i>	3,017,214	3,734,676	9,552,264	5,817,588
Other Financing Sources (Uses)				
Transfers Out	(1,400,000)	-	-	-
<i>Net Change in Fund Balance</i>	1,617,214	3,734,676	9,552,264	5,817,588
<i>Fund Balance Beginning of Year</i>	21,957,121	21,957,121	21,957,121	-
Prior Year Encumbrances Appropriated	23,812	23,812	23,812	-
<i>Fund Balance End of Year</i>	<u>\$ 23,598,147</u>	<u>\$ 25,715,609</u>	<u>\$ 31,533,197</u>	<u>\$ 5,817,588</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 8,853,452	\$ 8,000,000	\$ 7,966,541	\$ (33,459)
Intergovernmental	5,433,210	5,218,184	5,086,423	(131,761)
Miscellaneous	300,000	670,000	542,005	(127,995)
<i>Total Revenues</i>	14,586,662	13,888,184	13,594,969	(293,215)
Expenditures				
Current:				
Health	15,346,619	17,123,136	16,464,172	658,964
<i>Net Change in Fund Balance</i>	(759,957)	(3,234,952)	(2,869,203)	365,749
<i>Fund Balance Beginning of Year</i>	5,407,804	5,407,804	5,407,804	-
Prior Year Encumbrances Appropriated	84,680	84,680	84,680	-
<i>Fund Balance End of Year</i>	<u>\$ 4,732,527</u>	<u>\$ 2,257,532</u>	<u>\$ 2,623,281</u>	<u>\$ 365,749</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service Funds
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 18,604,284	\$ 15,180,435	\$ 12,334,453	\$ 46,119,172	\$ 7,863,328
<i>Net Receivables:</i>					
Accounts	2,958,330	2,821,215	713,701	6,493,246	-
Unbilled Accounts	1,788,296	2,394,016	-	4,182,312	-
Accrued Interest	-	44	-	44	-
Due from Other Funds	-	270,000	127,672	397,672	82,408
Due from Other Governments	-	-	-	-	9,575
Prepaid Items	24,774	28,100	4,456	57,330	3,098
Materials and Supplies Inventory	1,274,677	397,162	4,062	1,675,901	22,135
Total Current Assets	24,650,361	21,090,972	13,184,344	58,925,677	7,980,544
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,558,229	4,361,996	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	142,047,562	228,002,511	21,908,716	391,958,789	-
Furniture, Fixtures & Equipment	4,157,580	5,265,840	663,956	10,087,376	230,104
Less: Accumulated Depreciation	(87,060,444)	(123,175,928)	(10,048,312)	(220,284,684)	(206,257)
Construction in Progress	4,961,867	11,428,219	722,716	17,112,802	-
Total Noncurrent Assets	65,498,300	123,057,181	15,064,621	203,620,102	23,847
Total Assets	90,148,661	144,148,153	28,248,965	262,545,779	8,004,391
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	360,291	218,621	205,753	784,665	82,000
Accrued Wages & Benefits	193,414	205,105	12,680	411,199	21,863
Accrued Interest Payable	-	8,961	-	8,961	-
Unearned Revenue	1,105,597	1,452,169	-	2,557,766	-
Due to Other Funds	405,778	7,644	55	413,477	408
Due to Other Governments	1,206,591	166,926	107,688	1,481,205	27,431
Claims Payable	-	-	-	-	115,514
Customer Deposits	177,280	211,628	-	388,908	-
Compensated Absences Payable - Current	120,993	78,703	2,539	202,235	11,981
OWDA Loans Payable - Current	-	2,072,864	-	2,072,864	-
General Obligation Bonds Payable - Current	-	130,024	-	130,024	-
Other Long-Term Debt Payable - Current	2,478	33,762	-	36,240	-
Total Current Liabilities	3,572,422	4,586,407	328,715	8,487,544	259,197
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	684,511	588,642	28,279	1,301,432	133,425
OWDA Loans Payable	-	18,205,001	-	18,205,001	-
General Obligation Bonds Payable	-	2,708,172	-	2,708,172	-
Other Long-Term Debt Payable	44,594	443,247	-	487,841	-
Landfill Closure & Post-Closure Costs	-	-	22,947,456	22,947,456	-
Total Long-Term Liabilities	729,105	21,945,062	22,975,735	45,649,902	133,425
Total Liabilities	4,301,527	26,531,469	23,304,450	54,137,446	392,622
Net Position					
Net Investment in Capital Assets	65,451,228	99,464,111	15,064,621	179,979,960	23,847
Unrestricted (Deficit)	20,395,906	18,152,573	(10,120,106)	28,428,373	7,587,922
Total Net Position	\$ 85,847,134	\$ 117,616,684	\$ 4,944,515	\$ 208,408,333	\$ 7,611,769

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise				Governmental
	Water	Waste Water	Solid Waste	Total	Internal Service
Operating Revenues					
Water Sales	\$ 16,724,988	\$ -	\$ -	\$ 16,724,988	\$ -
Sewer Charges	-	16,238,457	-	16,238,457	-
Fees, Permits & Tap-Ins	209,708	839,070	-	1,048,778	-
Charges for Services	54,041	400,142	6,384,064	6,838,247	24,931,279
Other Operating Revenues	93,149	104,890	5,434	203,473	9,301
<i>Total Operating Revenues</i>	<u>17,081,886</u>	<u>17,582,559</u>	<u>6,389,498</u>	<u>41,053,943</u>	<u>24,940,580</u>
Operating Expenses					
Personal Services	5,988,348	5,817,915	455,660	12,261,923	-
Contractual Services	3,921,958	3,210,538	5,099,839	12,232,335	-
Materials & Supplies	1,741,756	1,317,845	51,123	3,110,724	-
Other Operating Expenses	435,645	395,531	193,722	1,024,898	-
Depreciation Expense	2,173,740	4,156,947	753,081	7,083,768	-
Insurance Claims	-	-	-	-	24,280,659
<i>Total Operating Expenses</i>	<u>14,261,447</u>	<u>14,898,776</u>	<u>6,553,425</u>	<u>35,713,648</u>	<u>24,280,659</u>
<i>Operating Income (Loss)</i>	<u>2,820,439</u>	<u>2,683,783</u>	<u>(163,927)</u>	<u>5,340,295</u>	<u>659,921</u>
Non-Operating Revenues (Expenses)					
Interest Income	-	44	-	44	-
Interest and Fiscal Charges	-	(784,150)	-	(784,150)	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>-</u>	<u>(784,106)</u>	<u>-</u>	<u>(784,106)</u>	<u>-</u>
<i>Income (Loss) Before Contributions & Transfers</i>	<u>2,820,439</u>	<u>1,899,677</u>	<u>(163,927)</u>	<u>4,556,189</u>	<u>659,921</u>
Grants & Contributed Capital	558,810	550,593	-	1,109,403	-
Contributions from Customers	23,229	21,398	-	44,627	-
Transfers In	-	-	-	-	5,722,434
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Change in Net Position</i>	<u>3,302,478</u>	<u>2,471,668</u>	<u>(163,927)</u>	<u>5,610,219</u>	<u>6,382,355</u>
<i>Net Position Beginning of Year</i>	<u>82,544,656</u>	<u>115,145,016</u>	<u>5,108,442</u>	<u>202,798,114</u>	<u>1,229,414</u>
<i>Net Position End of Year</i>	<u>\$ 85,847,134</u>	<u>\$ 117,616,684</u>	<u>\$ 4,944,515</u>	<u>\$ 208,408,333</u>	<u>\$ 7,611,769</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 17,081,769	\$ 17,499,888	\$ 6,236,808	\$ 40,818,465	\$ 24,908,797
Other Operating Revenues	93,149	104,890	5,434	203,473	19,144
Cash Paid to Suppliers	(1,629,647)	(1,247,541)	(51,432)	(2,928,620)	(1,136,159)
Cash Paid to Employees	(6,031,217)	(5,971,962)	(492,297)	(12,495,476)	(647,529)
Cash Paid for Contractual Services	(2,579,926)	(3,174,085)	(3,969,656)	(9,723,667)	(54,827)
Cash Paid for Other Operating Expenses	(454,738)	(362,910)	(101,604)	(919,252)	(337,771)
Cash Paid for Claims	-	-	-	-	(22,067,990)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>6,479,390</u>	<u>6,848,280</u>	<u>1,627,253</u>	<u>14,954,923</u>	<u>683,665</u>
Cash Flows From Non-Capital Financing Activities					
Advances In	-	135,000	63,835	198,835	-
Advances Out	(586,529)	-	-	(586,529)	-
Transfers In	-	-	-	-	5,722,434
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(686,529)</u>	<u>135,000</u>	<u>63,835</u>	<u>(487,694)</u>	<u>5,722,434</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds of OPWC Loans	-	50,000	-	50,000	-
Proceeds of OWDA Loans	-	5,162,087	-	5,162,087	-
Payment for Capital Acquisitions	(5,231,942)	(8,043,210)	(49,419)	(13,324,571)	(21,080)
Principal Paid on Debt	(4,802,478)	(2,841,590)	-	(7,644,068)	-
Interest Paid on Debt	(48,000)	(838,934)	-	(886,934)	-
Capital Contributed by Grants	291,119	112,617	-	403,736	-
Capital Contributed by Customers	23,229	21,398	-	44,627	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(9,768,072)</u>	<u>(6,377,632)</u>	<u>(49,419)</u>	<u>(16,195,123)</u>	<u>(21,080)</u>
Cash Flows From Investing Activities					
Interest on Investments	165	2,280	6,338	8,783	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(3,975,046)</u>	<u>607,928</u>	<u>1,648,007</u>	<u>(1,719,111)</u>	<u>6,385,019</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>22,579,330</u>	<u>14,572,507</u>	<u>10,686,446</u>	<u>47,838,283</u>	<u>1,478,309</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 18,604,284</u>	<u>\$ 15,180,435</u>	<u>\$ 12,334,453</u>	<u>\$ 46,119,172</u>	<u>\$ 7,863,328</u>

(Continued)

LAKE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 2,820,439	\$ 2,683,783	\$ (163,927)	\$ 5,340,295	\$ 659,921
Adjustments:					
Depreciation	2,173,740	4,156,947	753,081	7,083,768	8,096
(Increase) Decrease in Assets:					
Accounts Receivable	86,899	79,485	(147,256)	19,128	217
Unbilled Accounts Receivable	42,133	(16,534)	-	25,599	-
Inventory	44,896	32,339	(309)	76,926	1,503
Due from Other Funds	-	-	-	-	(20,026)
Due from Other Governments	-	-	-	-	7,170
Prepaid Items	3,754	4,839	(4,456)	4,137	(820)
Increase (Decrease) in Liabilities:					
Accounts Payable	318,327	83,513	202,263	604,103	76,569
Accrued Wages	29,968	38,061	(1,586)	66,443	3,623
Due to Other Funds	(25,949)	25	-	(25,924)	203
Due to Other Governments	1,123,430	49,888	101,135	1,274,453	19,122
Compensated Absences Payable	(102,247)	(223,334)	(37,001)	(362,582)	(20,608)
Customer Deposits	(36,000)	(40,732)	-	(76,732)	-
Landfill Closure & Post-Closure Costs	-	-	925,309	925,309	-
Claims Payable	-	-	-	-	(51,305)
<i>Total Adjustments</i>	<u>3,658,951</u>	<u>4,164,497</u>	<u>1,791,180</u>	<u>9,614,628</u>	<u>23,744</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 6,479,390</u>	<u>\$ 6,848,280</u>	<u>\$ 1,627,253</u>	<u>\$ 14,954,923</u>	<u>\$ 683,665</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY, OHIO
Statement of Fiduciary Net Position
Agency Funds
December 31, 2013

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 28,068,196
Cash and Cash Equivalents - Non-Pooled Cash	7,188,967
Receivables:	
Taxes	282,514,420
Special Assessments	8,411,394
Due from Other Governments	1,538,293
<i>Total Assets</i>	\$ 327,721,270
 Liabilities:	
Due to Other Governments	\$ 311,461,358
Other Liabilities	16,259,912
<i>Total Liabilities</i>	\$ 327,721,270

The notes to the basic financial statements are an integral part of this statement.

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF LAKE COUNTY

Lake County was established in March 1840 by an act of the Ohio General Assembly. Situated on Lake Erie in the extreme northeastern part of Ohio, the County operates as a political subdivision of the State of Ohio, exercising only those powers and powers incidental thereto, conferred by the Ohio Legislature. Lake County voters elect a total of eleven legislative and administrative county officials. The three-member Board of Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer and tax assessor. The County Treasurer serves as the custodian of all County funds and as tax collector. In addition, there are six other elected administrative officials provided for by Ohio law, which include the Clerk of Courts, Coroner, Engineer, Prosecutor, Recorder, and Sheriff. The judicial branch of the County is comprised of four Common Pleas Court Judges, one Domestic Relations Court Judge, one Juvenile Court Judge, one Probate Court Judge and two Court of Appeals Judges.

Lake County provides a myriad of services to its approximately 230,000 residents. The County offers a wide range of human and social services, health and community assistance services, law enforcement services, road and building maintenance services as well as other general and administrative support services. Additionally, Lake County operates a water distribution, a wastewater collection system, a solid waste disposal system and a solid waste-recycling program.

REPORTING ENTITY

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Lake County, this includes the Children's Services Board, the Developmental Disabilities Board, the Alcohol, Drug Addiction and Mental Health Services Board, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt or the levying of taxes.

Discretely Presented Component Units

The component unit columns in the financial statements identify the financial data of the County's component units, Deepwood Industries, Inc. and the Lake County Port Authority. They are reported separately to emphasize that they are legally separate from the County.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

DEEPWOOD INDUSTRIES, INC. (the Workshop)

Deepwood Industries, Inc. is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Lake County Developmental Disabilities Board (the DD Board), provides a comprehensive program of services, including employment, for developmentally disabled citizens of Lake County. The DD Board provides the Workshop with expenses and personnel for operation of the Workshop, including staff salaries and benefits, equipment and other support services necessary for the implementation of the programs offered by the Workshop. The Workshop cannot issue bonded debt or levy taxes and, thus, is not fiscally independent. Since the Workshop is fiscally dependent on the County and since the Workshop provides services to other agencies in addition to the County government, Deepwood Industries, Inc. is reflected as a component unit of Lake County. Separately issued financial statements can be obtained from Deepwood Industries, Inc., 8121 Deepwood Blvd., Mentor, OH 44060.

LAKE COUNTY PORT AUTHORITY (the Port Authority)

The Lake County Port Authority was established by the Board of the Lake County Commissioners in 2007 as a body corporate and politic for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County, as well as to encourage projects to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the territory served by the Port Authority. The Port Authority is governed by a seven member Board of Directors, each of whom is appointed by the Board of County Commissioners. The Board of County Commissioners can remove any appointed member of the Board of Directors and can also dissolve the Port Authority upon adoption of a resolution. As a result, the Port Authority is reflected as a component unit of Lake County. Separately issued financial statements can be obtained from the Lake County Port Authority, 1 Victoria Place, Suite 265A, Painesville, OH 44077.

Information in the following notes to the basic financial statements is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the Lake County General Health District and the Lake County Soil and Water Conservation District, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of these agencies are presented as agency funds within the basic financial statements.

Related Organizations

The following entities are considered related organizations to the reporting entity. This decision was based on the fact that although the Board of Commissioners or County Probate Judge appoints the majority of the board members of each of these entities, the County is not fiscally accountable for any of these organizations. The Board of County Commissioners or County Probate Judge cannot impose its will on any of these entities in any manner, nor does there exist any financial benefit or burden relationship between any of these entities and the County. The entities that were determined to be related organizations are:

LAKE METROPARKS

The three Park District Commissioners are appointed by the Probate Judge of the County. The District hires and fires staff, and does not rely on the County to finance deficits. The County is not financially accountable for the District nor is the District financially dependent on the County. The District serves as its own taxing and debt issuance authority and does not receive any funding from the County.

LAKELAND COMMUNITY COLLEGE

Lakeland Community College is designated as a distinct political subdivision and corporate body that provides higher education opportunities to the residents of Lake County. No financial relationship exists between the County and the College. Although the Board of County Commissioners appoints the majority of Lakeland's board members, the College has complete control of its fiscal officers and operations.

LAKETRAN

Laketran provides bus transportation services to the residents of Lake County. Laketran is a distinct political subdivision of the State and a separate corporate body. Although all board members are appointed by the Board of County Commissioners, the Laketran Board has the separate governing authority to levy and collect taxes, adopt its own budget, issue bonds and control its own operations.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

LAKE COUNTY LIBRARY DISTRICT

The Morley Library provides library services to residents living in the City of Painesville, Grand River Village, a portion of Concord Township, Leroy Township and Painesville Township. Although the Board of County Commissioners appoints a majority of the Library District's board members, the County cannot impose its will on the Library District nor is there a financial benefit received by, or burden placed on, the County with respect to the Library District.

LAKE HEALTH

Lake Health is a private, not-for-profit healthcare provider with multiple facilities throughout Lake County. Although all board members are appointed by the Board of County Commissioners, the County cannot impose its will on Lake Health nor is there a financial benefit received by, or burden placed on, the County with respect to Lake Health.

Jointly Governed Organizations

The County is a participant in the following Jointly Governed Organizations:

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM FACILITY (NEOCAP)

The Northeast Ohio Community Alternative Program Facility is a community based corrections facility that provides residents of the facility educational, vocational, substance abuse and support counseling services. The facility is administered by a judicial corrections board consisting of seven common pleas court judges. The members consist of two judges each from Trumbull and Lake Counties, and one judge each from Ashtabula, Geauga and Portage Counties. The Board adopts its own budget, authorizes expenditures and hires and fires its own staff. Funding is provided by the State of Ohio.

NORTHEAST OHIO NETWORK (NEON)

NEON is a council of governments formed to provide a regional effort in administering, managing, and operating programs for certain individuals with developmental disabilities. Participating counties include Geauga, Ashland, Ashtabula, Cuyahoga, Columbiana, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. NEON's operation is controlled by their Board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. NEON adopts its own budget, authorizes expenditures and hires and fires its own staff. During 2013, NEON received sufficient revenues from State grant monies and no additional funds were needed from Lake County.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

Jointly Governed Organizations (Continued)

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)

Northeast Ohio Areawide Coordinating Agency NOACA was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. In 2013, the County did not contribute to NOACA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The most significant of the County's accounting policies are described below.

BASIS OF PRESENTATION

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

FUND ACCOUNTING

The County, the Workshop and the Port Authority use funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

General Fund: The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Board of Developmental Disabilities: The developmental disabilities board fund accounts for the operation of a school and resident homes for the developmentally disabled. Revenue sources include a county-wide property tax levy and federal and state grants.

Board of Alcohol, Drug Addiction and Mental Health Services: The mental health board fund accounts for federal and state grants and county-wide property tax levies that are expended primarily to pay the costs of contracts with local mental health agencies that provide services to the public at large.

Special Assessment Debt Service Fund: This fund is used to account for the accumulation of financial resources for, and the payment of, special assessment long-term debt principal, interest and related costs.

The other governmental funds of the County account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Water: The County provides water to residential, commercial and industrial customers. Revenue generated through user charges is used for operation, maintenance and capital improvements of the water distribution system.

Wastewater: The County provides sanitary sewer service to residential, commercial and industrial customers. Wastewater charges are based on water usage or fixed fees and serve as the major revenue source for financing the operations and maintenance of the wastewater system.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

Solid Waste: This fund is used to account for the financial operations of the County's solid waste removal and landfill activities. Revenues are generated primarily from user tipping fees.

Internal Service Funds: Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's Internal Service Funds are the Central Purchasing, Mailroom and Garage funds, each of which account for the activities of those departments who provide those respective services to other County departments. In addition, the Prescription Self-Insurance and Dental Self-Insurance funds account for the prescription and dental benefits programs offered by the County, which are self-insured.

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The only fiduciary funds of the County are agency funds. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees and to account for funds of the Lake County General Health District and the Lake County Soil and Water Conservation District.

MEASUREMENT FOCUS

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS (Continued)

Fund Financial Statements

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

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

The Workshop has adopted Financial Accounting Standard Board Statement of Accounting Standards (FAS) No. 117 (Financial Statements of Not-for-Profit Organizations) for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted and restricted net position.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds, the Workshop and the Port Authority also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the sale occurs. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note K). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes) and fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes, special assessments, intergovernmental grants, homestead and rollback, State assistance receipts and other receivables collected outside of the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The Workshop and the Port Authority each allocates their expenses on a functional basis among its various programs and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on estimates established by each entity.

BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolutions, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County may appropriate. The appropriations resolution is the Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. The legal level of control is at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2013.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Commissioners during the year.

Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2013.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, program, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for the purposes other than those designated in the appropriation resolution without authority from the County Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end within the general fund are reported as assigned fund balance for subsequent-year expenditures of the fund.

Budgetary information for the Workshop and the Port Authority is not reported because neither of the component units are included in the entity for which the “appropriated budget” is adopted and neither adopt a separate budget.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations, commercial paper and municipal bonds. Inactive funds are invested in certificates of deposit, and the State Treasurer's Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General fund in 2013 totaled \$183,732, which includes \$159,277 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the same as the fair value of the underlying investment.

INVENTORY OF SUPPLIES

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

INTERFUND RECEIVABLES

Non-current portions of long-term interfund loan receivables are reported as interfund receivables and are offset by a fund balance restricted account. This indicates that they do not constitute expendable available financial resources, and, therefore, are not available for appropriation.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “due to/from other funds”. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CAPITAL ASSETS

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. The County’s infrastructure consists of roads, bridges, and culverts. Water and sanitary sewers and the associated operation facilities, as well as the County’s landfill facilities are reported as utility plant in service. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 Years	20 Years
Buildings and other Structures	20-45 Years	20-45 Years
Furniture, Fixtures and Equipment	3-20 Years	3-20 Years
Infrastructure	30-65 Years	30-65 Years

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZATION OF INTEREST

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalization interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated life of the asset. Total interest capitalized in 2013 and included in construction-in-progress for the Enterprise Funds was \$28,528.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability in the fund financial statements when due.

COMPENSATED ABSENCES

The County reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences" as interpreted by Interpretation No. 6 of the GASB, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Employees earn vacation time at varying rates depending on the duration of their employment. There is no requirement that annual leave be taken, but Ohio law requires vacation not be accumulated more than three (3) years.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Employees earn vacation time at varying rates depending on the duration of their employment. There is no requirement that annual leave be taken, but Ohio law requires vacation not be accumulated more than three (3) years.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the County's past experience of making termination payments.

FUND BALANCE

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

Nonspendable The nonspendable fund balance category 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" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners removes 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 fund balance classification are intended to be used by the County 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 County Commissioners, which may be expressed by a motion but need not be passed by formal action, such as a resolution.

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.

NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include, among others, funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial and social support to general relief recipients; the support and placement of children; County road and bridge repair/improvement programs; various judicial and public safety programs and other grant funds.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for providing water service, providing wastewater treatment service, utilization of the County landfill, fees for services provided by internal service departments to other departments, and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

DEFERRED OUTFLOW FROM REFUNDING

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position and the statement of fund net position of the proprietary funds.

BOND PREMIUM

On the government-wide financial statements and the statement of fund net position of the proprietary funds, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES

For 2013, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the County.

NOTE D – BUDGETARY BASIS OF ACCOUNTING

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) are presented in the basic financial statements for the General Fund and Major Special Revenue Funds. The major differences between the budget basis and the GAAP basis are:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than part of restricted, committed and assigned fund balances (GAAP basis) for governmental funds.
- (d) *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This included the certificate of title administrator special revenue fund.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

	Net Change in Fund Balance		
	<u>General and Major Special Revenue Funds</u>		
	General	DD Board	ADAMHS Board
GAAP Basis	(\$707,297)	\$8,972,140	(\$3,010,355)
Net Adjustment for Revenue Accruals	659,272	724,158	496,116
Advances In	351,366	-	-
Beginning Fair Value Adjustment	175,605	-	-
Ending Fair Value Adjustment	(123,373)	-	-
Net Adjustment for Expenditure Accruals	1,222	(144,034)	(354,964)
Adjustment for Funds Budgeted as Special Revenue	(543,888)	-	-
Adjustment for Encumbrances	(571,262)	0	0
Budget Basis	<u>(\$758,355)</u>	<u>\$9,552,264</u>	<u>(\$2,869,203)</u>

NOTE E – DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

Monies held by the County are classified by State Statute into two categories, active and inactive. Active deposits are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County Treasury, in commercial accounts payable or withdraw-able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Up to twenty-five percent of the County's average portfolio in Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase.
9. Fifteen percent of the County's total average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
10. No-load money market mutual fund rated in the highest category at the time of purchase;

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

11. One percent of the County's average portfolio in debt interest rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

Custodial Credit Risk

At December 31, 2013, the carrying amount of the County's deposits was \$141,034,323. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$141,986,145 of the County's bank balance of \$144,698,578 was exposed to custodial risk as discussed below, while \$2,712,433 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held by the Federal Reserve Bank in the name of the County.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments are reported at fair value. As of December 31, 2013, the County had the following investments:

Investment Type	Investment Maturities			Total
	Less than six months	More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	
Commercial Paper	\$ 3,000,050	\$ -	\$ -	\$ 3,000,050
Federal Home Loan Bank Notes	6,018,840	-	15,491,921	21,510,761
Federal Farm Credit Bank	-	-	21,863,806	21,863,806
Municipal & Ohio Entities	501,975	1,737,080	1,244,581	3,483,636
STAR Ohio	170	-	-	170
Total Portfolio	<u>\$ 9,521,035</u>	<u>\$ 1,737,080</u>	<u>\$ 38,600,308</u>	<u>\$ 49,858,423</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the County's investment policy requires that operating funds be invested primarily within five years from the date of purchase and that the County's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of this policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The Federal Home Loan Bank Notes, the Federal Farm Credit Bank and the Municipal and Commercial Paper carry a rating of AAA by Standard & Poor's and STAR Ohio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, the Federal Farm Credit Bank, and the Municipal and Commercial Paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The County places no limit on the amount it may invest in any one issuer. The following is the County's allocation as of December 31, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Commercial Paper	\$ 3,000,050	6.0%
Federal Home Loan Bank Notes	21,510,762	43.1%
Federal Farm Credit Bank Bonds	21,863,805	43.9%
Municipal - Ohio Entities	3,483,636	7.0%
STAR Ohio	170	0.0%
Total Investments	<u>\$ 49,858,423</u>	<u>100.0%</u>

COMPONENT UNITS

At December 31, 2013, the carrying amount of Deepwood Industries, Inc. Workshop's deposits was \$753,693. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2013, \$461 of the Workshop's bank balance of \$753,693 was exposed to custodial risk, while \$753,232 was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2013, the carrying amount of the Lake County Port Authority's deposits was \$485,661. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2013, \$235,661 of the Port Authority's bank balance of \$485,661 was exposed to custodial risk, meaning \$250,000 was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 01/01/2013	Additions	Deletions	Balance 12/31/2013
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,522,603	\$ -	\$ (17,204)	\$ 3,505,399
Construction in Progress	31,654,754	4,403,907	(5,902,823)	30,155,838
<i>Total Capital Assets Not Being Depreciated</i>	<u>35,177,357</u>	<u>4,403,907</u>	<u>(5,920,027)</u>	<u>33,661,237</u>
<i>Capital Assets, Being Depreciated:</i>				
Land improvements	782,496	171,129	(21,672)	931,953
Buildings & other structures	90,111,856	7,227,258	(357,251)	96,981,863
Furniture, fixtures & equipment	30,679,043	1,155,161	(1,638,065)	30,196,139
Infrastructure	111,126,865	1,092,663	(158,201)	112,061,327
<i>Total Capital Assets, Being Depreciated</i>	<u>232,700,260</u>	<u>9,646,211</u>	<u>(2,175,189)</u>	<u>240,171,282</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(674,859)	(40,649)	20,593	(694,915)
Buildings & other structures	(50,828,191)	(2,403,056)	222,234	(53,009,013)
Furniture, fixtures & equipment	(23,196,944)	(1,518,343)	1,545,277	(23,170,010)
Infrastructure	(40,784,449)	(3,602,543)	134,960	(44,252,032)
<i>Total Accumulated Depreciation</i>	<u>(115,484,443)</u>	<u>(7,564,591) *</u>	<u>1,923,064</u>	<u>(121,125,970)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>117,215,817</u>	<u>2,081,620</u>	<u>(252,125)</u>	<u>119,045,312</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 152,393,174</u>	<u>\$ 6,485,527</u>	<u>\$ (6,172,152)</u>	<u>\$ 152,706,549</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F – CAPITAL ASSETS (CONTINUED)

* Depreciation expense was charged to governmental functions as follows:

General Government	\$	846,612
General Government (Int Svc.)		8,096
Judicial and Public Safety		1,686,600
Public Works		4,056,405
Human Services		681,688
Health		285,190
		<u>285,190</u>
Total	\$	<u><u>7,564,591</u></u>

Business-type capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,361,996	\$ -	\$ -	\$ 4,361,996
Construction in Progress	<u>22,197,668</u>	<u>12,680,612</u>	<u>(17,765,476)</u>	<u>17,112,804</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>26,559,664</u>	<u>12,680,612</u>	<u>(17,765,476)</u>	<u>21,474,800</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	373,502,648	18,456,141	-	391,958,789
Furniture, Fixtures and equipment	9,545,182	774,811	(232,617)	10,087,376
<i>Total Capital Assets, Being Depreciated</i>	<u>383,431,653</u>	<u>19,230,952</u>	<u>(232,617)</u>	<u>402,429,988</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(272,085)	(12,575)	-	(284,660)
Utility Plant in Service	(205,841,025)	(6,454,151)	-	(212,295,176)
Furniture, fixtures and equipment	(7,320,423)	(617,042)	232,617	(7,704,848)
<i>Total Accumulated Depreciation</i>	<u>(213,433,533)</u>	<u>(7,083,768)</u>	<u>232,617</u>	<u>(220,284,684)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>169,998,120</u>	<u>12,147,184</u>	<u>-</u>	<u>182,145,304</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 196,557,784</u>	<u>\$ 24,827,796</u>	<u>\$ (17,765,476)</u>	<u>\$ 203,620,104</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2013, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting records, and (3) payments between funds are made.

	Due From	Due To
Government-Type Activities:		
General Fund	\$2,371	\$107,993
Developmental Disabilities Board	-	75
ADAMHS Board	-	522
Other Nonmajor Governmental Funds	213,377	173,353
<i>Total Government-Type Activities</i>	\$215,748	\$281,943
Business-Type Activities:		
Water District	-	405,778
Sewer District	270,000	7,644
Solid Waste District	127,672	55
Internal Service Funds	82,408	408
<i>Total Business-Type Activities</i>	480,080	413,885
Total	\$695,828	\$695,828
	Interfund Receivables	Interfund Payables
General Fund	\$393,526	-
Homeland Security	-	300,000
Juvenile Court Computerization	-	93,526
Total	\$393,526	\$393,526

The General Fund provided cash to the Juvenile Court Computerization Fund several years ago due to a cash flow deficiency for the fund. The General Fund also provided cash to the Homeland Security Fund for a deficiency in the fund due to the timing of a grant reimbursement.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT

Changes in the County’s long-term obligations during the year ended December 31, 2013 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2013	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2013	AMOUNTS DUE IN ONE YEAR
<i>GOVERNMENTAL ACTIVITIES</i>								
<i>General Obligation Notes</i>								
2012/2013	Garage Purchase & Renovation	\$2,850,000	1.00%	\$2,850,000	\$-	(\$2,850,000)	\$-	\$-
2013/2014	Garage Purchase & Renovation	2,000,000	1.00%	-	\$2,000,000	-	2,000,000	-
Total General Obligation notes				2,850,000	2,000,000	(2,850,000)	2,000,000	-
<i>General Obligation Bonds</i>								
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	12,140,000	-	(9,850,000)	2,290,000	720,000
2013/2025	County Building Improvement & Refunding	9,435,000	1.25%-3.50%	0	9,435,000	0	9,435,000	80,000
1995/2015	Human Services Center	2,500,000	3.00%-5.00%	535,000	-	(170,000)	365,000	180,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,385,000	-	(45,000)	1,340,000	45,000
Total General Obligation Bonds – Unvoted				14,060,000	9,435,000	(10,065,000)	13,430,000	1,025,000
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	140,000	-	(70,000)	70,000	70,000
1996/2016	Perry Area 166S Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	965,000	4.95%-6.75%	200,000	-	(50,000)	150,000	50,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	850,000	5.80%	230,000	-	(50,000)	180,000	50,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,145,000	5.60%	480,000	-	(60,000)	420,000	60,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	1,280,000	5.60%	565,000	-	(65,000)	500,000	65,000
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W, 248W, 249W, 250W, 251W, 253W	2,862,500	2.00%-4.75%	1,708,600	-	(135,950)	1,572,650	146,850
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	1,610,000	2.00%-5.35%	1,115,000	-	(75,000)	1,040,000	75,000
2010/2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	670,000	3.50%-5.00%	495,000	-	(30,000)	465,000	30,000
2009/2029	Maple Street, 291S	1,857,000	3.00%-5.00%	1,605,000	-	(75,000)	1,530,000	75,000
2013/2042		540,000	2.00%-5.25%	485,000	-	(20,000)	465,000	20,000
	Kirtland Sanitary Sewer	3,538,451	2.00%-3.75%	3,538,451	-	(29,297)	3,509,154	78,126
Total Special Assessment Bonds				\$10,562,051	-	(\$660,247)	\$9,901,804	719,976
<i>Other Long-Term Liabilities</i>								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	\$82,500	-	(\$15,000)	\$67,500	\$15,000
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	174,407	-	(14,534)	159,873	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	499,800	-	(29,400)	470,400	29,400
2013/2029	Blasé Nemeth Widening OPWC CG22P	8,327	0.00%	-	8,327	(279)	8,048	555
Total Other Long-Term Liabilities				756,707	8,327	(59,213)	705,821	59,489
<i>Unamortized Premium on Debt Issues</i>				486,325	571,140	(487,244)	570,221	-
<i>Capital Leases</i>				4,302	-	(4,302)	-	-
<i>Compensated Absences</i>				11,834,835	739,489	(2,376,238)	10,198,086	840,412
TOTAL GOVERNMENTAL ACTIVITIES				\$40,554,220	\$12,753,956	(\$16,502,244)	\$36,805,932	\$2,644,877

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2013	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2013	AMOUNTS DUE IN ONE YEAR
<i>Business-Type Activities:</i>								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<i>Payable From Wastewater Revenues</i>								
2002/2022	Concord Area 234S	\$1,742,500	2.00%-4.75%	\$1,041,400	\$-	(\$84,050)	\$957,350	\$88,150
2012/2042	Kirtland Sanitary Sewer 284S	1,896,549	2.00%-3.75%	1,896,549	-	(15,703)	1,880,846	41,874
2015/2039	Madison Township WWTP Expansion		2.74%-3.24%	0	5,162,087	0	5,162,087	0
Total Payable from Wastewater				2,937,949	5,162,087	(99,753)	8,000,283	130,024
Total Self Supporting General Obligation Bonds				2,937,949	5,162,087	(99,753)	8,000,283	130,024
<i>OWDA Loans</i>								
<i>Payable from Wastewater Revenues</i>								
2000/2020	Project 218S	36,199,145	4.12%	17,105,809	-	(1,990,031)	15,115,778	2,072,864
Total Payable from Wastewater				17,105,809	-	(1,990,031)	15,115,778	2,072,864
Total OWDA Loans				17,105,809	-	(1,990,031)	15,115,778	2,072,864
<i>Other Long-Term Liabilities</i>								
<i>Payable from Wastewater Revenues</i>								
2006/2025	City of Willoughby Hills Mentor Headlands San Sewer	488,959	3.03%	329,412	-	(23,142)	306,270	23,848
2010/2029	Replacement OPWC CG17K Dundee Glasgow & Kelso Sewer	142,683	0.00%	121,281	-	(7,134)	114,147	7,134
2011/2041	OPWC CG02M Bellflower Area Outlet Sewer Replace	8,402	0.00%	8,122	-	(280)	7,842	280
2013/2033	OPWC CG38O	50,000	0.00%	-	50,000	(1,250)	48,750	2,500
Total Payable from Wastewater				458,815	50,000	(31,806)	477,009	33,762
<i>Payable from Water Revenues</i>								
2012/2032	Hubbard Rd Waterline OPWC CG11K	49,550	3.03%	49,550	0	(2,478)	47,072	2,478
Total other Long-Term Liabilities				508,365	50,000	(34,284)	524,081	36,240
<i>Landfill Closure and Post Closure Costs</i>				22,022,147	925,309	-	22,947,456	-
<i>Compensated Absences</i>				1,866,249	85,368	(447,950)	1,503,667	202,235
TOTAL BUSINESS TYPE ACTIVITIES				\$44,440,519	\$6,222,764	(\$2,572,018)	\$48,091,265	\$2,441,363

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2013 are as follows:

Governmental Activities

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt
	Principal	Interest	Principal	Interest	Principal
2014	\$ 1,025,000	\$ 481,263	\$ 719,976	\$ 429,759	\$ 59,489
2015	1,080,000	420,620	664,131	398,280	59,489
2016	945,000	370,475	662,081	370,249	59,489
2017	980,000	327,300	639,186	340,437	59,489
2018	995,000	312,750	615,086	312,408	51,989
2019-2023	5,360,000	1,150,925	2,904,596	1,120,846	222,445
2024-2028	2,655,000	278,100	1,557,115	580,406	164,031
2029-2033	390,000	50,000	681,283	332,068	29,400
2034-2038	-	-	755,217	214,381	-
2039-2042	-	-	703,133	67,139	-
Total	\$ 13,430,000	\$ 3,391,433	\$ 9,901,804	\$ 4,165,973	\$ 705,821

Business-Type Activities

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 130,024	\$ 107,538	\$ 2,072,864	\$ 601,637	\$ 36,240	\$ 9,101
2015	135,869	103,174	2,159,146	515,356	36,968	8,373
2016	137,919	98,427	2,249,019	425,483	37,718	7,622
2017	145,814	92,604	2,342,633	331,868	38,491	6,849
2018	149,914	86,423	2,440,144	234,358	39,288	6,052
2019-2023	725,404	331,068	3,851,972	159,780	209,270	17,433
2024-2028	287,885	230,539	-	-	94,171	734
2029-2033	343,717	176,857	-	-	29,695	-
2034-2038	404,783	114,904	-	-	1,400	-
2039-2042	376,867	35,986	-	-	840	-
Total	\$ 2,838,196	\$ 1,377,520	\$ 15,115,778	\$ 2,268,482	\$ 524,081	\$ 56,164

During 2013 the County received \$5,162,087 for the Madison Township WWTP expansion project in the wastewater fund. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore is not included in the schedule of future annual debt service requirements.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

At December 31, 2013 the County had entered into various operating leases, with terms ranging in length from one to twenty-two years, for office space and equipment. The total future rental payment for these leases is \$3,133,063. Of this amount, \$3,075,986 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

The following is a schedule of the future operating lease payments:

<u>Year</u>	<u>Amount</u>
2014	\$619,190
2015	602,133
2016	577,425
2017	545,539
2018	277,895
2019-2023	261,990
2024-2028	<u>248,891</u>
	<u>\$3,133,063</u>

The general obligation note payable was issued to finance the purchase and renovation of a former auto dealership which is now being used to house the County's Vehicle Maintenance Department (Garage). A capital project fund accounts for this note and the financial transactions associated with this project.

Unvoted general obligation bonds issued for governmental purposes of the County will be retired from the debt service fund using unvoted general property tax revenue. General obligation bonds issued for enterprise fund purposes will be retired from charges for services in the enterprise funds. Special assessment debt will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the County. Special assessment bonds are not included in capital assets, net of related debt for governmental activities since the debt is being used to pay for business-type capital assets.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

In 2013, the County received another OPWC loan in the amount of \$50,000 for business-type activities to finance a sewer replacement project and \$8,327 for governmental activities to finance a road widening project.

In 2005, the County issued \$17,871,000 in general obligation bonds and \$159,000 in special assessment bonds. The entire amount of the \$159,000 in special assessment bonds was issued to advance refund \$150,000 of existing 1991 water improvement bonds. Of the total amount of new general obligation bonds issued in 2005, \$636,000 was issued to advance refund \$615,000 of existing 1991 Forensic Crime Laboratory Bonds and \$1,735,000 was issued to advance refund \$1,665,000 of existing 1995 Human Services Center Bonds. As of December 31, 2013, \$2,655,000 of the 2005 issuance was outstanding. The remaining outstanding balances were refunded with the 2013 refunding issuance, described below.

In 2013, the County issued \$9,435,000 in general obligation bonds for a current refunding of \$9,160,000 in outstanding bonds of the 2005 County building improvement and refunding series. The refunding was undertaken to reduce future debt service payments.

The current refunding in 2013, resulted in a decrease in the County's debt service payments in the amount of \$1,173,097. Proceeds of \$10,048,114 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2013, \$9,160,000 of these bonds are considered defeased. Accordingly, the trust account assets and the liability for this defeased bond issue are not included in the County's financial statements. The County also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$1,025,614 on this refunding.

Ohio Water Development Authority (OWDA) loans are direct obligations of the enterprise funds. Administration of principal and interest is managed directly by the Department of Utilities. The loans are secured by the assets to which they are related. The OWDA loans are retired primarily from user fees, although special assessments from customers retire some OWDA loans.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

Other long-term obligations consist of an agreement with the City of Willoughby Hills whereby the County acquired various land and plant facilities from the City. In exchange, the County has agreed to pay directly to the City, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets acquired. This obligation, amounting to \$329,413 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Two are for governmental activities for road repairs and one is for business-type activities for wastewater system improvements.

The compensated absence liability will be paid from the fund that the employees' salaries are paid. These funds include the following: General, DD Board, Public Assistance, Children Services, Child Support Enforcement, Youth Services Grant, Felony Delinquent Care and Custody, Auto License and Gasoline Tax, Municipal Street Improvement and Construction, Engineer's Stormwater Maintenance, ADAMHS Board, Dog and Kennel, Narcotics Agency, Forensic Crime Laboratory, Emergency Management Agency, Prosecutor's 4-D, Prosecutor's Victim/Witness Assistance, Pilot Probation Grant, Emergency Planning, Domestic Relations Court 4-D, Juvenile Court IV-D, Certificate of Title Administration, Sheriff's Drug/Alcohol Treatment, Sheriff's Concealed Weapons, Telecommunications, Real Estate Assessment, Law Library, Hotel/Motel, Geographic Information System, Water, Wastewater, Solid Waste, Central Purchasing, Mailroom and Garage. Employees earn 15 days of sick leave per year. Upon retirement or resignation, employees with 5 years of service are compensated for unused sick leave based on the total number of hours accumulated and the County's conversion schedule. Vacation time is vested for employees after a minimum of one year of service. According to State law, vacation time may be accumulated up to 3 years. Unused vacation time, unpaid overtime and unused compensatory time are payable upon termination of employment. All sick, vacation and compensatory time payments are made at the employee's current wage rate.

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2032. Annual principal and interest payments on the wastewater debt are expected to require 55 percent of net revenue and 45 percent of total revenues. The total principal and interest remaining to be paid on the wastewater debt is \$22,133,150. Principal and interest paid for the year for the wastewater debt was \$3,680,524, total net revenues were \$6,834,768 and total revenues were \$17,582,559.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. At December 31, 2013, the County had an unvoted debt margin of \$41.1 million and a direct debt margin of \$125.5 million.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – LONG-TERM DEBT (CONTINUED)

Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2013, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$79,380,000.

NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2013 follows:

YEAR ISSUED	PURPOSE/ DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2013	PRINCIPAL ISSUED IN 2013	PRINCIPAL RETIRED IN 2013	BALANCE DEC. 31, 2013
<i>Business-Type Activities:</i>							
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable From Water Funds:</u>							
2012	Water District Improvement - 302W	2013	1.00%	\$ 250,000	-	\$ (250,000)	\$ -
2012	Water District Improvement - 317W	2013	1.00%	650,000	-	(650,000)	-
2012	Water District Improvement - 321W	2013	1.00%	2,000,000	-	(2,000,000)	-
2012	Water District Improvement - 335W	2013	1.00%	1,900,000	-	(1,900,000)	-
Total Notes Payable From Water Funds				4,800,000	-	(4,800,000)	-
<u>Payable From Wastewater Funds:</u>							
2012	Sewer District Improvement - 314S	2013	1.00%	60,000	-	(60,000)	-
2012	Sewer District Improvement - 285S	2013	1.00%	660,000	-	(660,000)	-
Total Notes Payable From Wastewater Funds				720,000	-	(720,000)	-
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				<u>\$ 5,520,000</u>	<u>\$ -</u>	<u>\$ (5,520,000)</u>	<u>\$ -</u>

The notes payable from enterprise funds were used to finance various utility water and wastewater infrastructure improvements. These notes are accounted for in the respective enterprise funds.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Pension Benefits

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2013 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.0 and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement increased to 12 percent and 13.0 percent, respectively.

The 2013 employer contribution rate for state and local employers was 14.0 percent of covered payroll. The law enforcement and public safety division employer contribution rate 18.1 percent of covered payroll.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

**NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Pension Benefits (Continued)

The County's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$6,078,814, \$7,591,117 and \$6,084,512, respectively. 100 percent has been contributed for 2013, 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$173,293 made by the County and \$123,701 made by the plan members.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Other Postemployment Benefits (OPEB)

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and 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 No. 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, Ohio 43215-4642 or calling (614) 222-5601 or (800) 222-7377.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Other Postemployment Benefits (OPEB) (Continued)

Funding Policy - 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the combined plan was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 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 County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$2,384,908, \$2,992,252, and \$2,380,767, which were equal to the required contribution.

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 SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Pension Benefits

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternate retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits were increased by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members and 14 percent for employers. The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2013, 2012, and 2011 were \$48,400, \$50,417, and \$49,796, respectively; 100 percent has been contributed for fiscal year 2013, 2012, and 2010. Currently, all members are enrolled in the DB Plan.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* was available after December 31, 2013.

Additional information or copies of STRS Ohio's 2013 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Other Postemployment Benefits (OPEB)

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The County's contributions for health care for the years ended December 31, 2013, 2012, and 2011 were \$1,961, \$3,878, and \$3,831, respectively, which equaled the required amount.

NOTE K – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) are for 2012 taxes.

2013 real property taxes are levied after October 1, 2013 on the assessed value as of January 1, 2013 lien date. Assessed values are established by State law at 35% of appraised market value. 2013 real property taxes are collected in and intended to finance 2013.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013 and are collected in 2013 with real property taxes.

The State of Ohio, with the passage of House Bill No. 66, which was signed into law on June 30, 2005, phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general businesses and railroads was eliminated by calendar year 2008. The tax on telephone and telecommunications was eliminated by calendar year 2012. For the telephone and telecommunications companies, the personal property tax is due by September 20th. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2006-2010, the County was fully reimbursed for the lost revenue. In calendar years 2012-2017, the reimbursements will be phased out.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE K – PROPERTY TAX REVENUES (CONTINUED)

The full tax rate for all County operations for the year ended December 31, 2013, was \$10.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property	\$5,391,010,670
Public Utility Personal Property	<u>335,746,500</u>
Total Assessed Value	<u>\$5,726,757,170</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statutes permit later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2013 operations. In the governmental funds, the entire receivable has been offset by deferred inflows of resources – property taxes since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is reported as deferred inflows of resources – unavailable revenue.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE L – RECEIVABLES & REVENUES

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Special assessments expected to be collected amounts to \$12,865,510 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$151,618.

A summary of the principal intergovernmental revenues for government-type activities are as follows:

Governmental Activities	<u>Amount</u>
<i>General Fund:</i>	
Casino Revenue	2,763,988
Local Government	993,666
Homestead and Rollback	968,258
Public Defender Reimbursements	712,645
Other Miscellaneous Reimbursements	395,939
<i>Total General Fund</i>	<u>5,834,496</u>
<i>Other Governmental Funds:</i>	
Federal & State Developmental Disability Grants	15,827,189
State Transportation Grants	7,355,424
Federal & State Public Assistance Grants	6,399,720
Homestead and Rollback	5,264,180
Federal & State Mental Health Grants	3,944,468
Child Support Incentives	2,909,753
Federal & State Children's Services Grants	2,208,563
Communication Systems Grants	1,953,392
Community & Economic Development	1,931,034
Transportation Grants Related to Capital Projects	1,541,009
Community Corrections Grant	1,503,413
State Reimbursements	952,427
Miscellaneous Federal & State Grants	759,639
Public Safety Grants	719,612
State Probation Grants	581,872
Prosecutor's Victim Assistance	336,105
Drug/Alcohol Grants	97,860
<i>Total Other Governmental Funds</i>	<u>54,285,660</u>
Total Intergovernmental Revenue	<u><u>60,120,156</u></u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfers From	Transfers To				Totals
	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Internal Service	
General	\$ 1,931,805	\$ 1,485,150	\$ 4,928,500	\$5,722,434	\$ 14,067,889
Nonmajor Special Revenue	5,284,057	112,588	-	-	5,396,645
Water	100,000	-	-	-	100,000
Transfer Totals	<u>\$ 7,315,862</u>	<u>\$ 1,597,738</u>	<u>\$ 4,928,500</u>	<u>\$5,722,434</u>	<u>\$ 19,564,534</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

NOTE N – ENCUMBRANCES

Encumbrance accounting is employed in all County funds. Encumbrances outstanding at year-end are closed to unreserved fund balance/net position and are re-appropriated at the beginning of the succeeding year.

At December 31, 2013, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2013 budget were:

General Fund	\$ 571,294
DD Board	20,484
ADAMHS Board	531,623
Non-Major Special Revenue Funds	1,266,752
Non-Major Capital Projects Funds	1,218,781
Enterprise Funds	260,931
Non-Major Internal Service Funds	<u>2,330</u>
Total	<u>\$3,872,195</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE N – ENCUMBRANCES (CONTINUED)

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2013 encumbrances less these accrued liabilities were:

General Fund	\$ 377,661
DD Board	10,569
ADAMHS Board	487,238
Non-Major Special Revenue Funds	647,523
Non-Major Capital Projects Funds	1,173,851
Enterprise Funds	<u>150,130</u>
Total	<u>\$2,846,972</u>

NOTE O – CONTINGENCIES, JUDGEMENTS AND CLAIMS

The County is a defendant in a number of claims and lawsuits which may be classified as routine litigation in which minimal non-material damages are being sought. In addition, the County is a defendant in numerous other claims and lawsuits in which the County believes the amounts claimed to be overstated and the chance of losing these cases nominal. In the opinion of the County Prosecutor no material liability is anticipated.

The County participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by the grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The County believes that disallowed claims, if any, will not have a material adverse effect on the County's financial position.

NOTE P – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. The \$22.9 million reported as landfill closure and post closure care liability at December 31, 2013, represents the cumulative amount reported to date based on the use of 91.2% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$3.7 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2013. The County expects to close the landfill in the year 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE Q – RELATED PARTY TRANSACTIONS

During 2013, Lake County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to Deepwood Industries, Inc., (the "Workshop"), a discretely presented component unit of Lake County. The Workshop reported \$78,115 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the Workshop.

NOTE R – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials' liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2013 as compared to the previous year. Insurance premiums paid to private carriers during 2013 were approximately \$0.8 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$64,886 and dental claims of \$50,628, have been accrued based upon a review of the January, 2014 billings provided by the County Commissioners' Office.

The total claims liability of \$115,514 reported in the internal service fund at December 31, 2013, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE R – RISK MANAGEMENT (CONTINUED)

Changes in the funds claims liability amounts for the last three fiscal years were:

	Balance at Beginning Of Year	Current Year Claims	Claim Payments	Balance at End of Year
<u>Prescription</u>				
2011	\$155,778	\$4,070,552	\$3,999,207	\$ 227,123
2012	227,123	4,218,548	4,572,576	126,905
2013	126,905	4,484,061	4,546,080	64,886
<u>Dental</u>				
2011	57,003	680,533	697,294	40,242
2012	40,242	710,285	710,613	39,914
2013	39,914	689,356	678,642	50,628

NOTE S – PUBLIC ENTITY RISK POOLS

COUNTY RISK SHARING AUTHORITY

The County Risk Sharing Authority, Inc. (CORSA) is a public entity risk sharing pool among sixty counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, public officials' liability and police professional insurance.

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2013 was \$795,403.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE T – DEFICIT FUND BALANCES/NET POSITION

At December 31, 2013, the following funds had deficit fund balances/net position:

Homeland Security	\$299,208
Juvenile Court Computerization	92,426
Marriage Licenses	17,634
Garage	13,009

The deficit in the Juvenile Court Computerization Fund is due to the recognition, on a modified accrual basis of accounting, of a liability amount applicable to an advance from the General Fund. The deficit will be eliminated within the next several years as the liability is paid off from operating revenues.

The deficits in the Homeland Security, Marriage Licenses and Garage Fund are the result of recognizing expenses on the modified accrual/accrual basis of accounting. These deficits did not exist on the cash basis of accounting. The General Fund provides operating transfers to these funds when cash is required, not when accruals occur.

There were no other material violations of finance-related legal or contractual provisions.

NOTE U – SUBSEQUENT EVENTS

On April 1, 2014, the County issued \$3,000,000 in bond anticipation notes for the construction of a utility east end service garage. The new notes have an interest rate of 1.00 percent and mature on April 1, 2015.

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LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education:</i>			
Nutrition Cluster			
National School Breakfast Program	10.553	N/A	\$23,254
National School Lunch Program - Cash Disbursements	10.555	N/A	<u>37,662</u>
Total Nutrition Cluster			60,916
<i>Passed through the Ohio Department of Jobs and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB13	566,689
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB14	166,506
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFF113	<u>8,916</u>
<i>Subtotal CFDA 10.561</i>			<u>742,111</u>
SUBTOTAL U.S. DEPARTMENT OF AGRICULTURAL			<u>803,027</u>
U.S. ARMY CORP OF ENGINEERS			
<i>Direct program:</i>			
North Dakota Environmental Infrastructure	12.XXX	Section 594 Project	<u>54,432</u>
SUBTOTAL U.S. DEPARTMENT OF DEFENSE			<u>54,432</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<i>Direct programs:</i>			
Community Development Block Grant/Entitlements Grants Cluster			
Community Development Block Grants/Entitlements Grants	14.218	B-08-UN-390005	124,948
Community Development Block Grants/Entitlements Grants	14.218	B-05-UC-390007	17,065
Community Development Block Grants/Entitlements Grants	14.218	B-10-UC-390007	3,714
Community Development Block Grants/Entitlements Grants	14.218	B-11-UC-390007	290,719
Community Development Block Grants/Entitlements Grants	14.218	B-12-UC-390007	1,240,805
Community Development Block Grants/Entitlements Grants	14.218	B-13-UC-390007	<u>17,510</u>
<i>Subtotal CFDA 14.218</i>			<u>1,694,761</u>
Shelter Plus Care	14.238	N/A	171,089
Shelter Plus Care	14.238	N/A	<u>214,776</u>
<i>Subtotal CFDA 14.238</i>			<u>385,865</u>
Home Investment Partnership Program	14.239	M-09-UC-390201	8,260
Home Investment Partnership Program	14.239	M-11-UC-390201	48,887
Home Investment Partnership Program	14.239	M-12-UC-390201	<u>326,967</u>
<i>Subtotal CFDA 14.239</i>			<u>384,114</u>
SUBTOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>2,464,740</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Block Grants	16.523	2011-JB-009-A002	11,003
<i>Passed Through the Ohio Attorney General's Office:</i>			
Crime Victims Assistance	16.575	2013VAGENE039	130,250
Crime Victims Assistance	16.575	2013VAGENE950	500
Crime Victims Assistance	16.575	2011VAGENE899	1,000
Crime Victims Assistance	16.575	2014VAGENE039	<u>32,927</u>
<i>Subtotal CFDA 16.575</i>			<u>164,677</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2011-WF-VA5-8211A	50,994
<i>Passed Through the City of Mansfield Police Department</i>			
Forensic DNA Backlog Reduction Program	16.741	2011-DN-BX-K446	9,656
Forensic DNA Backlog Reduction Program	16.741	2012-DN-BX-0030	<u>66,034</u>
<i>Subtotal CFDA 16.741</i>			<u>75,690</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2013-PC-NFS-7802	8,926
<i>Direct program:</i>			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments	16.804	2012-DJ-BX-0043	<u>32,516</u>
SUBTOTAL U.S. DEPARTMENT OF JUSTICE			<u>\$343,806</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	JFSFAF12	\$1,666
WIA Adult Program	17.258	JFSFAF13	5,213
WIA Adult Program	17.258	JFSFAP12	3,277
WIA Adult Program	17.258	JFSFAF12	108,047
WIA Adult Program	17.258	JFSFAF13	304,901
<i>Subtotal CFDA 17.258</i>			<u>423,104</u>
WIA Youth Activities	17.259	JFSFYP11	41,679
WIA Youth Activities	17.259	JFSFYP12	319,574
<i>Subtotal CFDA 17.259</i>			<u>361,253</u>
WIA Dislocated Worker Formula Grants	17.278	JFSFDF12	8,383
WIA Dislocated Worker Formula Grants	17.278	JFSFDF13	26,548
WIA Dislocated Worker Formula Grants	17.278	JFSFDP12	5,382
WIA Dislocated Worker Formula Grants	17.278	JFSFDF12	67,025
WIA Dislocated Worker Formula Grants	17.278	JFSFDF13	249,203
WIA Dislocated Worker Formula Grants	17.278	JFSFDF12	13,151
<i>Subtotal CFDA 17.278</i>			<u>369,692</u>
Total Workforce Investment Act (WIA) Cluster			<u>1,154,049</u>
SUBTOTAL U.S. DEPARTMENT OF LABOR			<u>1,154,049</u>
U.S. FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed Through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	N/A	778,955
<i>Passed Through the Ohio Department of Public Safety</i>			
State and Community Highway Safety	20.600	HVEO-2014-43-00-00-00370-00	7,289
SUBTOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION			<u>786,244</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster			
Special Education: Grants to States	84.027	070037-6BSF-2011P	67,632
Special Education: Preschool Grants	84.173	070037-PGS1-2011P	16,430
Total Special Education Cluster			<u>84,062</u>
SUBTOTAL U.S. DEPARTMENT OF EDUCATION			<u>84,062</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	346,694
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	340,116
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-13-9013	33,730
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-14-9013	33,730
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,343
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,343
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	2,155
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	2,155
<i>Subtotal CFDA 93.959</i>			<u>791,266</u>
<i>Passed Through the Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities Grants to States	93.617	N/A	2,940
<i>Passed Through the Ohio Department of Health:</i>			
Special Education-Grants for Infants and Families	84.181		<u>59,051</u>
Race to the Top - Early Learning Challenge	84.412		67,728
Race to the Top - Early Learning Challenge	84.412		33,864
<i>Subtotal CFDA 84.412</i>			<u>101,592</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-05-12	5,554
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-06-13	62,197
Injury prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-07-14	4,349
<i>Subtotal CFDA 93.136</i>			<u>\$72,100</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through the Ohio Department of Mental Health:</i>			
Projects for Assistance in Transition from Homelessness	93.150	N/A	\$50,000
Block Grants for Community Health Services	93.958	BG 13-100-20	3,750
Block Grants for Community Health Services	93.958	N/A	69,973
Block Grants for Community Health Services	93.958	N/A	69,962
<i>Subtotal CFDA 93.958</i>			<u>143,685</u>
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Promoting Safe and Stable Families	93.556	JFSFMC13	292
Promoting Safe and Stable Families	93.556	JFSFMC14	115
Promoting Safe and Stable Families	93.556	JFSFMC13	2,627
Promoting Safe and Stable Families	93.556	JFSFMC14	1,034
Promoting Safe and Stable Families	93.556	JFSFPF13	2,499
Promoting Safe and Stable Families	93.556	JFSFPF14	1,868
Promoting Safe and Stable Families	93.556	JFSFPF13	26,511
Promoting Safe and Stable Families	93.556	JFSFPF14	7,836
Promoting Safe and Stable Families	93.556	JFSFPF13	2,505
Promoting Safe and Stable Families	93.556	JFSFPF14	1,644
Promoting Safe and Stable Families	93.556	JFSFPF13	8,188
Promoting Safe and Stable Families	93.556	JFSFPF14	1,720
Promoting Safe and Stable Families	93.556	JFSFPF13	38,139
<i>Subtotal CFDA 93.556</i>			<u>94,978</u>
Temporary Assistance for Needy Families	93.558	JFSFTF13	1,337,102
Temporary Assistance for Needy Families	93.558	JFSFTF14	162,948
Temporary Assistance for Needy Families	93.558	JFSFTF13	2,025
Temporary Assistance for Needy Families	93.558	JFSFTF13	270,253
Temporary Assistance for Needy Families	93.558	JFSFTF14	268,166
Temporary Assistance for Needy Families	93.558	JFSFTF12	111,189
Temporary Assistance for Needy Families	93.558	N/A	1,000
Temporary Assistance for Needy Families	93.558	JFSFTF13	23,674
<i>Subtotal CFDA 93.558</i>			<u>2,176,357</u>
Child Support Enforcement	93.563	JFSFCS13	1,533,938
Child Support Enforcement	93.563	JFSOLF13	460,041
Child Support Enforcement	93.563	JFSOLS14	128,853
Child Support Enforcement	93.563	JFSFCS13	150,547
<i>Subtotal CFDA 93.563</i>			<u>2,273,379</u>
Community-Based Child Abuse Prevention Grants	93.590	JFSFCB11	200
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW13	62,389
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW14	19,248
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW13	6,932
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW14	2,139
<i>Subtotal CFDA 93.645</i>			<u>90,708</u>
Foster Care Title IV-E	93.658	JFSFFC13	286
Foster Care Title IV-E	93.658	JFSOLF13	1,158,390
Foster Care Title IV-E	93.658	JFSOLF14	378,816
Foster Care Title IV-E	93.658	JFSFFC13	168,358
Foster Care Title IV-E	93.658	JFSFFC14	47,158
<i>Subtotal CFDA 93.658</i>			<u>1,753,008</u>
Adoption Assistance	93.659	JFSFAA13	286
Adoption Assistance	93.659	JFSFAA13	405,659
Adoption Assistance	93.659	JFSFAA14	118,551
Adoption Assistance	93.659	JFSFAA13	2,057
Adoption Assistance	93.659	JFSFAA14	172
<i>Subtotal CFDA 93.659</i>			<u>526,725</u>
Chaffe Foster Care Independence Program	93.674	JFSFIL13	31,818
Chaffe Foster Care Independence Program	93.674	JFSFIL14	6,241
<i>Subtotal CFDA 93.674</i>			<u>\$38,059</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through the Ohio Department of Jobs and Family Services (Continued):</i>			
Children's Health Insurance Program	93.767	JFSFSH13	\$4,115
Children's Health Insurance Program	93.767	MCDFSH13	3,911
Children's Health Insurance Program	93.767	MCDFSH14	3,539
<i>Subtotal CFDA 93.767</i>			<u>11,565</u>
<i>Passed Through the Ohio Department of Mental Health:</i>			
Social Services Block Grant	93.667	N/A	53,566
Social Services Block Grant	93.667	N/A	57,011
			<u>110,577</u>
<i>Passed Through the Ohio Department of Developmental Disabilities (DD):</i>			
Social Services Block Grant	93.667	N/A	173,516
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Social Services Block Grant	93.667	JFSFSS13	258,175
Social Services Block Grant	93.667	JFSFSS14	39,455
Social Services Block Grant	93.667	JFSFTX13	300,000
Social Services Block Grant	93.667	JFSFTX14	100,000
			<u>697,630</u>
<i>Subtotal CFDA 93.667</i>			981,723
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>			
Medical Assistance Program	93.778	N/A	280,727
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Medical Assistance Program	93.778	JFSFMT13	371,444
Medical Assistance Program	93.778	MCDFMT13	154,056
Medical Assistance Program	93.778	MCDFMT14	169,910
			<u>695,410</u>
<i>Subtotal CFDA 93.778</i>			976,137
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Child Care Block Grant Cluster			
Child Care and Development Block Grant	93.575	JFSFCD13	83,948
Child Care and Development Block Grant	93.575	JFSFCD14	10,626
Child Care and Development Block Grant	93.575	JFSFCD13	31,499
Child Care and Development Block Grant	93.575	JFSFCD14	42,504
<i>Subtotal CFDA 93.575</i>			<u>168,577</u>
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>10,312,050</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grant	97.042	DPSFE186/38556	106,776
Emergency Management Performance Grant	97.042	DPSFE199/48715	41,100
<i>Subtotal CFDA 97.042</i>			<u>147,876</u>
Homeland Security Grant Program	97.067	DPSFE157/38741	11,400
Homeland Security Grant Program	97.067	DPSFE157/38348	1,936
Homeland Security Grant Program	97.067	DPSFE189/42255	16,490
Homeland Security Grant Program	97.067	DPSFE177/34957	29,373
Homeland Security Grant Program	97.067	DPSFE174/36748	3,323
Homeland Security Grant Program	97.067	DPSFE154/27969	7,271
Homeland Security Grant Program	97.067	DPSFE174/35111	8,570
<i>Passed Through the Cuyahoga County, Department of Public Safety & Justice Services</i>			
Homeland Security Grant Program	97.067	FY10 SHSP-LE	12,035
<i>Subtotal CFDA 97.067</i>			<u>90,398</u>
<i>Passed Through the Cuyahoga County, Department of Public Safety & Justice Services</i>			
Port Security Grant Program	97.056	EMW-2011-PU-K00080-S01	131,430
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Border Interoperability Demonstration Project	97.120	DPSFE166/33118	1,662,038
SUBTOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>2,031,742</u>
TOTAL FEDERAL AWARDS			<u><u>\$18,034,152</u></u>

The accompanying note is an integral part of this schedule

LAKE COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports Lake County's (the County) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The County passes certain federal awards received from U.S. Department of Housing and Urban Development and U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by Uniform Commercial Code Filings.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$537,804
Loans made	267,375
Loan principal repaid	<u>269,264</u>
Ending loans receivable balance as of December 31, 2013	\$535,915
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$10,525
Administrative costs expended during 2013	6,533

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2013, none are more than 90 days past due.

LAKE COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2013**

NOTE F – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2008 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid program (CFDA #93.778) in the amount of \$8,107. The Cost Report settlement was for settlement of the difference between statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Federal Awards Expenditures Schedule since the underlying expenses occurred in the prior reporting periods.

NOTE G – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

The County omitted \$668,095 in grant expenditures for the Medicaid program (CFDA #93.778) on the 2012 Federal Awards Expenditures Schedule. The understatement of the expenditures on the 2012 Federal Awards Expenditures Schedule was not adjusted due to immateriality of the amount to the total County federal expenditures reported.

NOTE H – OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES

The County omitted \$199,296 in grant expenditures for the Medicaid program (CFDA #93.778) on the 2012 Federal Awards Expenditures Schedule. The understatement of the expenditures on the 2012 Federal Awards Expenditures Schedule was not adjusted due to immateriality of the amount to the total County federal expenditures reported.

CFDA – Catalog of Federal Domestic Assistance



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 21, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Lake County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Lake County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lake County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

LAKE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.561, Supplemental Nutrition Assistance Program; CFDA # 14.238, Shelter Care Plus; CFDA # 16.588 – Violence Against Women CFDA # 17.258, 17.259, 17.278 – Workforce Investment Act Cluster; CFDA # 20.205 – Highway Planning and Construction; CFDA # 93.558 – Temporary Assistance for needy families; CFDA # 93.563 – Child Support Enforcement; CFDA # 93.658 – Foster Care Title IV-E; CFDA # 93.958 – Block Grants for Community Health Services;
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 541,025 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

LAKE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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LAKE COUNTY FINANCIAL CONDITION

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 02, 2014