



Dave Yost • Auditor of State

**SENECA COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Seneca County
109 South Washington Street #2206
Tiffin, Ohio 44883-2841

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County), as of and for the year ended December 31, 2016, 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 did not audit the financial statements of Seneca Re-Ad Industries, Inc., which represents the County's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Seneca Re-Ad Industries, Inc., is based solely on the report of other auditors. 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. The other auditors audited the financial statements of Seneca Re-Ad Industries, Inc., in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

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.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Maintenance and Repair, Public Assistance and Seneca County Opportunity Center funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2016, the County restated the beginning balance of net position in the Business-type activities and the Emergency Medical Services fund. This adjustment was to properly report accounts payable in the prior year. We did not modify our opinion regarding this matter.

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*, and schedules of net pension liabilities and pension contributions 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 Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 September 18, 2017, 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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

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SENECA COUNTY, OHIO

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

The management's discussion and analysis of Seneca County's (the County) financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The total net position of the County increased \$6,798,019 from December 31, 2015 (as restated – See Note 3.C). The net position of the governmental activities increased \$6,563,468, which represents a 6.87 percent increase over the net position at December 31, 2015; meanwhile, the net position of business-type activities increased \$234,551 or 5.47 percent from December 31, 2015 (as restated – see Note 3.C). The County's business-type activities consist of Emergency Medical Services and the County Sewer District operations.
- General revenues accounted for \$20,523,533 or 42.52 percent of total governmental activities revenue. Program specific revenues accounted for \$27,746,159 or 57.48 percent of total governmental activities revenue.
- The County's governmental activities had \$41,526,224 in expenses; \$27,746,159 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,523,533 were adequate to provide for these programs.
- The County's business-type activities had \$1,066,874 in expenses; \$1,110,234 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,191 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$17,527,850 in 2016, an increase of \$644,541 or 3.82 percent from General fund revenues and other financing sources in 2015. The General fund had expenditures and other financing uses of \$17,578,265 in 2016, an increase of \$1,447,046 or 8.97 percent from 2015. The net effect of changes in revenues and expenditures contributed to the General fund balance decrease of \$50,415 or 0.72 percent from 2015 to 2016.

Using the Basic Financial Statements (BFS)

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

The statement of net position and 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 illustrate how services were financed in the short-term, as well as what current resources remain for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are five major governmental funds. The General fund is the largest major fund.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities answer the question, "How did the County perform financially during 2016?" These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to accounting used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position during the year. The change in net position is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

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

Governmental activities - Most of the County's programs and services are reported here, including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and State grants and other shared revenues.

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

Reporting 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 Maintenance and Repair fund, the Public Assistance fund, the Seneca County Opportunity Center (SCOC) fund, and the Joint Justice Center Construction fund. The County's major enterprise funds are the Emergency Medical Services and County Sewer District.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The 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.

Proprietary Funds

The County maintains two 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 Emergency Medical Services and County Sewer District operations.

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 used for proprietary funds. Agency funds are the County's only fiduciary fund type.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

The RSI contains information regarding the County's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and State Teachers Retirement System (STRS) net pension liability/net pension asset and the County's schedule of contributions to OPERS and STRS.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the County as a whole.

The table below provides a summary of the County's net position at December 31, 2016 and December 31, 2015. Net position at December 31, 2015 has been restated as described in Note 3.C.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Restated Business-type Activities 2015	Total 2016	Restated Total 2015
<u>Assets</u>						
Current and other assets	\$ 66,371,819	\$ 51,241,874	\$ 1,380,631	\$ 1,589,291	\$ 67,752,450	\$ 52,831,165
Capital assets	<u>73,044,192</u>	<u>72,043,563</u>	<u>6,374,410</u>	<u>6,004,390</u>	<u>79,418,602</u>	<u>78,047,953</u>
Total assets	<u>139,416,011</u>	<u>123,285,437</u>	<u>7,755,041</u>	<u>7,593,681</u>	<u>147,171,052</u>	<u>130,879,118</u>
<u>Deferred Outflows of Resources</u>	<u>8,590,975</u>	<u>2,707,504</u>	<u>111,760</u>	<u>33,079</u>	<u>8,702,735</u>	<u>2,740,583</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	35,310,736	19,684,735	3,273,446	3,245,477	38,584,182	22,930,212
Other liabilities	<u>1,748,477</u>	<u>2,112,866</u>	<u>66,066</u>	<u>260,489</u>	<u>1,814,543</u>	<u>2,373,355</u>
Total liabilities	<u>37,059,213</u>	<u>21,797,601</u>	<u>3,339,512</u>	<u>3,505,966</u>	<u>40,398,725</u>	<u>25,303,567</u>
<u>Deferred Inflows of Resources</u>	<u>8,852,011</u>	<u>8,663,046</u>	<u>5,806</u>	<u>3,456</u>	<u>8,857,817</u>	<u>8,666,502</u>
<u>Net Position</u>						
Net investment in capital assets	69,635,719	69,861,569	3,387,938	2,966,234	73,023,657	72,827,803
Restricted	27,831,150	25,483,412	158,024	174,641	27,989,174	25,658,053
Unrestricted	<u>4,628,893</u>	<u>187,313</u>	<u>975,521</u>	<u>1,146,057</u>	<u>5,604,414</u>	<u>1,333,370</u>
Total net position (restated)	<u>\$ 102,095,762</u>	<u>\$ 95,532,294</u>	<u>\$ 4,521,483</u>	<u>\$ 4,286,932</u>	<u>\$ 106,617,245</u>	<u>\$ 99,819,226</u>

The has County adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension asset/liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

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

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial condition. At December 31, 2016, the County's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$106,617,245. This amounts to \$102,095,762 in the governmental activities and \$4,521,483 in the business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's assets. At year-end, capital assets represented 53.96 percent of total governmental and business-type assets. Capital assets include land and improvements, land improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. The County's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets and amounted to \$73,023,657 at December 31, 2016. Capital assets are used to provide services to citizens and are not available for future spending. Although the County's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the related debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2016, the County is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. A portion of the County's net position, \$27,831,150 or 27.26 percent in the governmental activities and \$158,024 or 3.49 percent in the business-type activities, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, which amounts to \$4,628,893 in the governmental activities and \$975,521 in the business-type activities, may be used to meet the County's ongoing obligations to citizens and creditors.

General government expenses, which include legislative and executive and judicial programs, accounted for \$9,687,221 or 23.33 percent of total governmental expenses. General government expenses were covered by direct

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

charges to users, operating grants and contributions, and capital grants and contributions of \$3,493,859, \$231,219, and \$276,788, respectively, in 2016. The County's largest program in 2016 was health, accounting for 22.13 percent of total governmental expenses. Health activities are provided mainly by the SCOC. Health activities expenses were funded by \$2,650,740 in operating grants and contributions and \$1,690,221 in charges for health services in 2016. Human services programs support the operations of Public Assistance, Victim Assistance, Veteran Services, and the Children Services Board. Human services expenses accounted for \$7,873,553 or 18.96 percent of total governmental activities expenses. These expenses were funded by \$217,806 in charges to users of services and \$6,382,064 in operating grants and contributions in 2016. Public works expenses accounted for 14.60 percent of expenses and were offset by direct charges to users, operating grants and contributions, and capital grants and contributions of \$381,953, \$4,230,827, and \$4,764,361, respectively. Public safety activities include the operations of the County sheriff, coroner, community corrections, homeland security, emergency management, and the Seneca County Youth Center. 23.52 percent of public safety expenses was funded by program-specific charges for services revenues, including prison and detention center housing fees and reimbursements, revenue from concealed weapons licenses, emergency management charges for services and other sales, while 11.48 percent of public safety expenses was funded by operating grants and contributions from federal, State, and local sources.

The County's direct charges to users of governmental services made up \$7,474,775 or 15.49 percent of total governmental activities revenues. These charges include fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, income from the lease of property, and licenses and permits.

The State and federal government contributed to the County revenues of \$15,230,235 in operating grants and contributions and \$5,041,149 in capital grants and contributions. Operating grants and contributions are restricted to be used for specific County programs, while capital grants and contributions are restricted to be used for the construction or acquisition of facilities and other capital assets.

General revenues totaled \$20,523,533, and amounted to 42.52 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$17,184,038, or 83.73 percent of total general revenues in 2016. The other primary source of general revenues is unrestricted grants and entitlements of \$2,362,812.

Capital grants and contributions increased among the governmental activities as the County had more ongoing construction projects during the year. There were no capital grants and contributions among the business-type activities during 2016.

The table below shows the changes in net position for fiscal year 2016 and 2015. The net position at December 31, 2015 has been restated as described in Note 3.C.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Restated Business-type Activities 2015	Total 2016	Restated Total 2015
Revenues						
Program revenues:						
Charges for services and sales	\$ 7,474,775	\$ 6,130,334	\$ 776,849	\$ 930,291	\$ 8,251,624	\$ 7,060,625
Operating grants and contributions	15,230,235	13,884,149	333,385	8,000	15,563,620	13,892,149
Capital grants and contributions	5,041,149	3,718,367	-	-	5,041,149	3,718,367
Total program revenues	27,746,159	23,732,850	1,110,234	938,291	28,856,393	24,671,141
General revenues:						
Property taxes	8,345,728	5,602,700	-	-	8,345,728	5,602,700
Sales tax	8,838,310	8,794,117	-	-	8,838,310	8,794,117
Unrestricted grants	2,362,812	2,426,029	-	-	2,362,812	2,426,029
Contributions and donations	36,236	6,830	-	-	36,236	6,830
Investment earnings	324,485	204,282	-	-	324,485	204,282
Other	615,962	734,951	11,191	10,758	627,153	745,709
Total general revenues	20,523,533	17,768,909	11,191	10,758	20,534,724	17,779,667
Total revenues	48,269,692	41,501,759	1,121,425	949,049	49,391,117	42,450,808
Expenses						
Program expenses:						
General government						
Legislative and executive	7,304,405	6,577,332	-	-	7,304,405	6,577,332
Judicial	2,382,816	2,476,103	-	-	2,382,816	2,476,103
Public safety	7,190,688	6,571,245	-	-	7,190,688	6,571,245
Public works	6,062,166	6,328,949	-	-	6,062,166	6,328,949
Health	9,191,626	8,730,842	-	-	9,191,626	8,730,842
Human services	7,873,553	6,847,003	-	-	7,873,553	6,847,003
Conservation and recreation	86,788	164,791	-	-	86,788	164,791
Community and						
economic development	950,486	586,964	-	-	950,486	586,964
Interest and fiscal charges	483,696	93,170	-	-	483,696	93,170
Emergency Medical Services	-	-	446,889	477,784	446,889	477,784
County Sewer District	-	-	619,985	615,783	619,985	615,783
Total expenses	41,526,224	38,376,399	1,066,874	1,093,567	42,593,098	39,469,966
Excess of revenues over expenses	6,743,468	3,125,360	54,551	(144,518)	6,798,019	2,980,842
Transfers	(180,000)	(362,699)	180,000	362,699	-	-
Change in net position	6,563,468	2,762,661	234,551	218,181	6,798,019	2,980,842
Net position at beginning of year	95,532,294	92,769,633	4,286,932	4,238,345	99,819,226	97,007,978
Net position at end of year	\$ 102,095,762	\$ 95,532,294	\$ 4,521,483	\$ 4,286,932	\$ 106,617,245	\$ 99,819,226

Governmental Activities

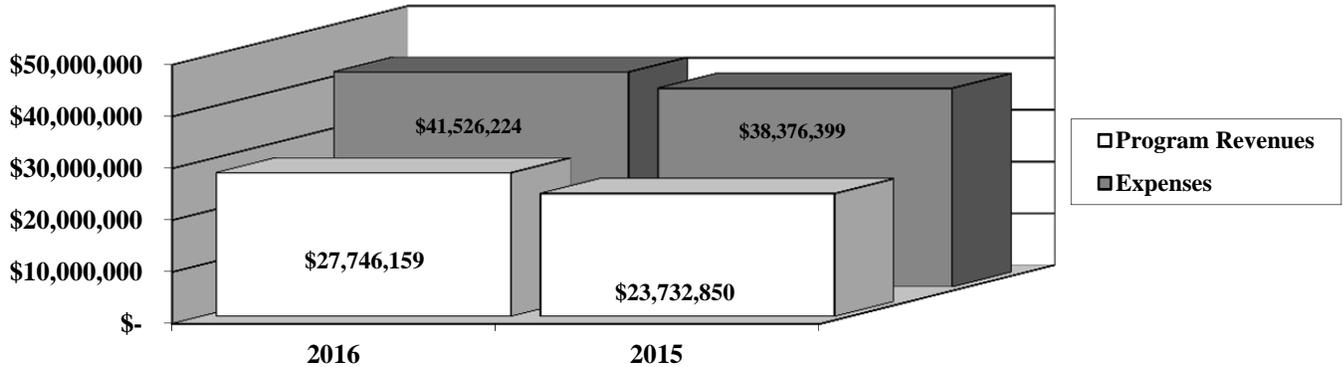
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of

SENECA COUNTY, OHIO

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

services for 2016 and 2015. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements). The County is reliant upon general revenues to finance operations, as program revenues are not sufficient to cover total expenses.

Governmental Activities - Program Revenues vs. Total Expenses



The table that follows presents the total and net costs of services, or the extent to which the County relies on general revenues to finance current operations, of the governmental activities for 2016 and 2015.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
Program Expenses:				
General government				
Legislative and executive	\$ 7,304,405	\$ 4,583,182	\$ 6,577,332	\$ 4,781,345
Judicial	2,382,816	1,102,173	2,476,103	988,501
Public safety	7,190,688	4,674,313	6,571,245	4,268,838
Public works	6,062,166	(3,314,975)	6,328,949	(2,216,328)
Health	9,191,626	4,850,665	8,730,842	5,587,776
Human services	7,873,553	1,273,683	6,847,003	943,106
Conservation and recreation	86,788	86,788	164,791	164,791
Community and economic development	950,486	40,540	586,964	32,350
Interest and fiscal charges	483,696	483,696	93,170	93,170
Total	<u>\$ 41,526,224</u>	<u>\$ 13,780,065</u>	<u>\$ 38,376,399</u>	<u>\$ 14,643,549</u>

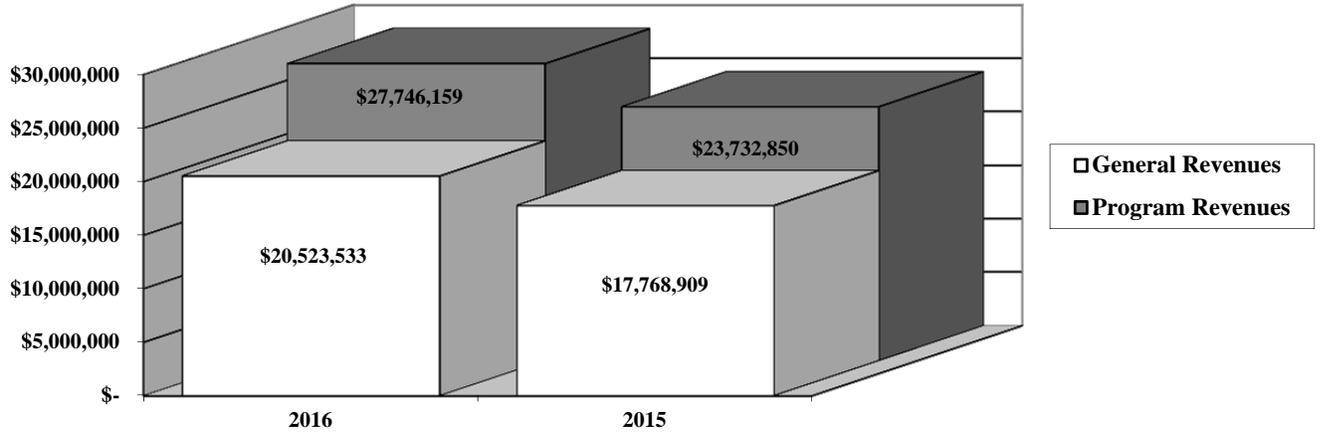
Charges for services, operating grants and contributions, and capital grants and contributions totaling \$27,746,159 were used to offset the general government expenses of the County. The remaining \$13,780,065 in general government expenses was funded by property taxes, sales taxes and grants and entitlements not restricted to specific programs. The County's reliance upon general revenues for governmental activities is apparent, with 33.18 percent of expenses supported through taxes and other general revenues during 2016.

SENECA COUNTY, OHIO

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

The graph below illustrates the County's dependence on general revenues.

Governmental Activities - General and Program Revenues

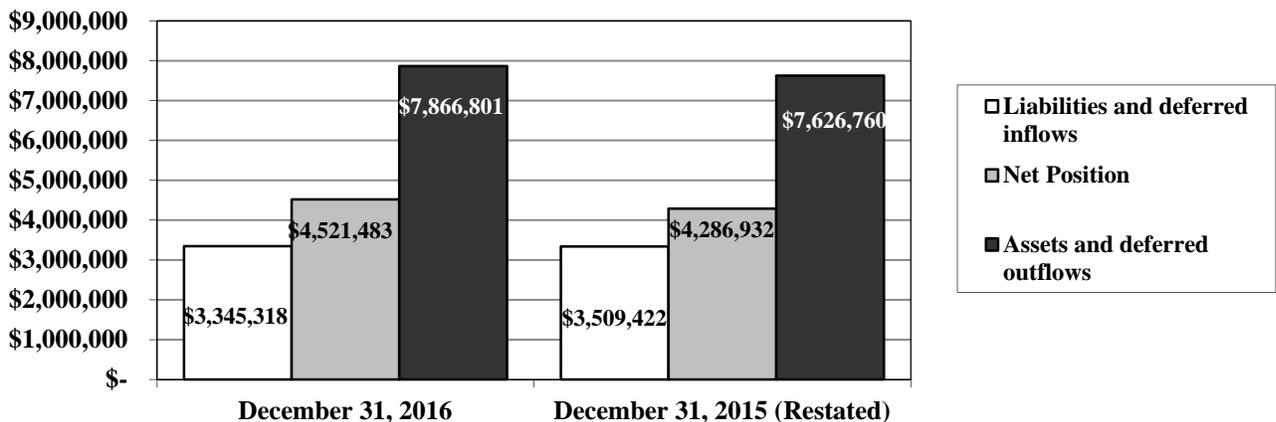


Business-Type Activities

The Emergency Medical Services and County Sewer District are the County's enterprise funds. These operations had program revenues of \$1,110,234, general revenues of \$11,191, transfers in of \$180,000 and expenses of \$1,066,874 for fiscal year 2016. The net position of the business-type activities increased \$234,551 during 2016.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2016 and December 31, 2015. Net position at December 31, 2015 has been restated as described in Note 3.C.

Net Position of Business - Type Activities



Financial Analysis of the Government's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of current resources and obligations. Such information is useful in assessing the County's financing requirements. In particular, fund balances serve as a useful measure of the County's net resources available for spending at yearend.

The County's governmental funds (as reported on the balance sheet) reported a combined fund balance of \$47,623,907 at December 31, 2016, which is \$15,406,468 higher than last year's total of \$32,217,439.

The schedule below indicates the fund balances as of December 31, 2016 and December 31, 2015 and the total change in fund balance during the year for all major governmental funds and the non-major governmental funds in the aggregate.

	Fund Balances December 31, 2016	Fund Balances December 31, 2015	Change
Major funds:			
General	\$ 6,933,313	\$ 6,983,728	\$ (50,415)
Maintenance and Repair	15,006,902	14,461,704	545,198
Public Assistance	261,294	141,213	120,081
Seneca County Opportunity Center	6,372,742	4,026,214	2,346,528
Joint Justice Center Construction	12,855,319	1,370,310	11,485,009
Nonmajor governmental funds	<u>6,194,337</u>	<u>5,234,270</u>	<u>960,067</u>
Total	<u>\$ 47,623,907</u>	<u>\$ 32,217,439</u>	<u>\$ 15,406,468</u>

General Fund

The General fund is the primary operating fund of the County. During 2016, the County's General fund balance decreased \$50,415.

The table that follows assists in illustrating the revenues of the General fund.

<u>Revenues</u>	2016 Amount	2015 Amount	Percentage Change
Taxes	\$ 10,775,359	\$ 10,719,879	0.52 %
Charges for services	3,609,249	3,274,619	10.22 %
Licenses and permits	2,991	3,055	(2.09) %
Fines and forfeitures	210,826	235,264	(10.39) %
Intergovernmental	2,141,158	1,955,202	9.51 %
Interest	250,057	153,935	62.44 %
Other	<u>432,733</u>	<u>523,565</u>	(17.35) %
Total	<u>\$ 17,422,373</u>	<u>\$ 16,865,519</u>	3.30 %

Total revenues increased \$556,854 or 3.30 percent. Charges for services increased 10.22 percent from the prior year due to higher jail housing fees and the General fund's portion of EMS charges. Other revenues of the General fund decreased from the prior year due to decreases in vending, insurance, and miscellaneous receipts in 2016.

SENECA COUNTY, OHIO

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

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

<u>Expenditures</u>	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
General government:			
Legislative and executive	\$ 5,777,287	\$ 5,821,400	(0.76) %
Judicial	2,133,326	2,118,284	0.71 %
Public safety	6,153,734	5,780,630	6.45 %
Public works	88,100	23,404	276.43 %
Health	98,534	96,238	2.39 %
Human services	430,141	308,323	39.51 %
Conservation and recreation	98,989	140,942	(29.77) %
Capital outlay	-	14,276	(100.00) %
Debt service	6,233	4,767	30.75 %
Total	<u>\$ 14,786,344</u>	<u>\$ 14,308,264</u>	3.34 %

Total expenditures increased \$478,080 or 3.34 percent. Public works expenditures increased 276.43 percent due to higher costs incurred as a result on higher highway engineer salaries. Human services expenditures increased 39.51 percent due to an increase of hospital insurance cost related to funds with primarily human service expenditures.

Maintenance and Repair Fund

The Maintenance and Repair fund, a major governmental fund, had revenues and other financing sources of \$4,662,673 in 2016, a decrease of \$357,164 from 2015 revenues and other financing sources. The Maintenance and Repair fund had expenditures of \$4,117,475 in 2016, an increase of \$1,410,913 from 2015. The Maintenance and Repair fund incurred higher expenditures for street projects during the year. The fund balance of the Maintenance and Repair fund increased \$545,198 or 3.77 percent from 2015 to 2016.

Public Assistance Fund

The Public Assistance fund, a major governmental fund, had revenues and other financing sources of \$4,546,119 in 2016 compared to \$3,969,986 in 2015. The Public Assistance fund had expenditures of \$4,426,038 in 2016, an increase of \$256,080 from 2015. The fund balance of the Public Assistance fund increased \$120,081 or 85.04 percent from 2015 to 2016.

Seneca County Opportunity Center (SCOC) Fund

The SCOC fund, a major governmental fund, had revenues of \$11,226,533 in 2016, an increase of \$4,048,501 from 2015. The SCOC fund had expenditures of \$8,880,005 in 2016, an increase of \$263,997 from 2015. The fund balance of the SCOC fund increased \$2,346,528 or 58.28 percent from 2015 to 2016.

Joint Justice Center Construction Fund

The Joint Justice Center Construction fund, a major governmental fund, had revenues and other financing sources of \$13,201,977 in 2016, an increase of \$11,751,977 in 2015. This increase was primarily due to a bond issuance of \$8,681,115 in 2016. The Joint Justice Center Construction fund had expenditures of \$1,716,968 in 2016, an increase of \$1,637,278 from 2015. The fund balance of the Joint Justice Center Construction fund increased \$11,485,009 or 838.13 percent from 2015 to 2016.

SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

Budgeting Highlights - General Fund

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). 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 ORC; therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations may be adjusted accordingly.

Budgetary information is presented for the General fund, Maintenance and Repair fund, Public Assistance fund, and SCOC fund.

In the General fund, final budgeted revenues and other financing sources of \$17,336,683 were \$1,336,683 higher than original budgeted revenues of \$16,000,000. Actual revenues and other financing sources of \$17,397,221 were higher than final budgeted revenues and other financing sources by \$60,538 or 0.35 percent.

General fund final budgeted expenditures and other financing uses of \$19,396,601 were \$2,534,735 higher than original budgeted expenditures and other financing uses of \$16,861,866. Actual expenditures and financing uses of \$18,428,742 were \$967,859 lower than final budgeted expenditures and financing uses.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the County had \$79,418,602 (net of accumulated depreciation) invested in land and improvements (land and improvements not being depreciated, such as road base infrastructure), land improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Of this total, \$73,044,192 was reported in the governmental activities and \$6,374,410 was reported in the business-type activities.

The following table shows December 31, 2016 balances compared to December 31, 2015.

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 21,142,857	\$ 21,101,014	\$ 26,243	\$ 26,243	\$ 21,169,100	\$ 21,127,257
Construction in progress	2,237,913	693,058	-	-	2,237,913	693,058
Land improvements	330,758	354,071	-	-	330,758	354,071
Building and improvements	13,951,940	13,904,414	68,072	74,456	14,020,012	13,978,870
Machinery and equipment	2,016,770	1,713,880	717,617	172,003	2,734,387	1,885,883
Infrastructure	<u>33,363,954</u>	<u>34,277,126</u>	<u>5,562,478</u>	<u>5,731,688</u>	<u>38,926,432</u>	<u>40,008,814</u>
Total	<u>\$ 73,044,192</u>	<u>\$ 72,043,563</u>	<u>\$ 6,374,410</u>	<u>\$ 6,004,390</u>	<u>\$ 79,418,602</u>	<u>\$ 78,047,953</u>

See Note 9 to the basic financial statements for detail on the County's capital assets.

SENECA COUNTY, OHIO

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

The County's largest capital asset category is infrastructure, which includes roads, bridges and culverts. These items are immovable and of value only to the County; however, the annual cost of purchasing these items is quite significant. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 45.68 percent of the County's total governmental capital assets.

The County's largest business-type capital asset category is also infrastructure. These items play a vital role in the income producing ability of the business-type activities. The net book value of the County's infrastructure (cost less accumulated depreciation) represents approximately 87.26 percent of the County's total business-type capital assets.

Debt Administration

At December 31, 2016 the County had \$1,680,000 in general obligation bonds, \$11,505 in capital lease obligations, \$8,905,000 in special obligation bonds, \$34,544 in OWDA loans, \$5,820 in OPWC loans payable, and \$2,980,652 in sewer district improvement revenue bonds outstanding. Of this total, \$821,979 is due within one year and \$12,795,542 is due in more than one year.

The following table summarizes the bonds, notes and loans outstanding.

	Outstanding Debt, at Year End			
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
	2016	2016	2015	2015
Long-Term Obligations				
General obligation bonds	\$ 1,680,000	\$ -	\$ 2,165,000	\$ -
Capital lease obligation	11,505	-	16,994	-
Special obligation bonds	8,905,000	-	-	-
OWDA loan	34,544	-	39,858	-
OPWC loan	-	5,820	-	6,504
Sewer improvement bonds	-	2,980,652	-	3,031,652
Total	<u>\$ 10,631,049</u>	<u>\$ 2,986,472</u>	<u>\$ 2,221,852</u>	<u>\$ 3,038,156</u>

At December 31, 2016 the County's voted legal debt margin was \$26,864,171 and the County's unvoted legal debt margin was \$10,892,408. See Note 11 to the basic financial statements for detail on long-term obligations.

Current Economic Factors

The County's estimated population as of July 1, 2015 per the U.S. Census Bureau is 56,088. The County's average annual unemployment rate during 2016 was 4.90 percent compared to a 4.90 percent average for the State of Ohio.

The County is primarily a rural community with a significant agricultural and durable goods manufacturing presence. The County's \$1.190 billion assessed real property tax base has grown approximately 27.00 percent over the last six years. The growth is based on residential real estate construction and revaluations of property within the County. The County's debt burden remains modest.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Honorable Julie A. Adkins, Seneca County Auditor, 109 S. Washington St., Suite 2206, Tiffin, Ohio 44883-2841.

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
Assets:				
Equity in pooled cash and investments.	\$ 45,121,520	\$ 1,062,432	\$ 46,183,952	\$ -
Cash and cash equivalents in segregated accounts.	176,097	-	176,097	866,146
Cash and cash equivalents with fiscal agent	374,265	-	374,265	-
Receivables:				
Sales taxes.	2,262,728	-	2,262,728	-
Property taxes	8,950,278	-	8,950,278	-
Accounts.	44,702	313,947	358,649	162,748
Accrued interest	29,727	-	29,727	-
Intergovernmental	3,612,774	1,573	3,614,347	-
Loans.	29,279	-	29,279	-
Materials and supplies inventory.	481,243	-	481,243	-
Prepayments	330,327	2,484	332,811	1,696
Net pension asset	51,052	685	51,737	-
Prepaid bond insurance	33,233	-	33,233	-
Internal balance	490	(490)	-	-
Investment in joint ventures	4,874,104	-	4,874,104	-
Capital assets:				
Non-depreciable capital assets.	23,380,770	26,243	23,407,013	-
Depreciable capital assets, net.	49,663,422	6,348,167	56,011,589	141,265
Total capital assets, net.	73,044,192	6,374,410	79,418,602	141,265
Total assets	139,416,011	7,755,041	147,171,052	1,171,855
Deferred outflows of resources:				
Pension - OPERS.	8,325,729	111,760	8,437,489	-
Pension - STRS.	265,246	-	265,246	-
Total deferred outflows of resources	8,590,975	111,760	8,702,735	-
Total assets and deferred outflows of resources	148,006,986	7,866,801	155,873,787	1,171,855
Liabilities:				
Accounts payable.	1,025,674	25,661	1,051,335	13,114
Accrued wages and benefits payable	358,051	4,445	362,496	39,467
Due to other governments	279,304	15,166	294,470	-
Accrued interest payable	28,325	20,492	48,817	-
Unearned revenue	57,123	302	57,425	-
Undistributed monies.	-	-	-	17,047
Long-term liabilities:				
Due within one year	1,061,758	53,684	1,115,442	-
Due in more than one year:				
Net pension liability	22,724,502	284,370	23,008,872	-
Other amounts	11,524,476	2,935,392	14,459,868	-
Total liabilities	37,059,213	3,339,512	40,398,725	69,628
Deferred inflows of resources:				
Property taxes levied for the subsequent year.	8,359,622	-	8,359,622	-
Pension - OPERS.	432,506	5,806	438,312	-
Pension - STRS.	59,883	-	59,883	-
Total deferred inflows of resources	8,852,011	5,806	8,857,817	-
Total liabilities and deferred inflows of resources.	45,911,224	3,345,318	49,256,542	69,628
Net position:				
Net investment in capital assets.	69,635,719	3,387,938	73,023,657	141,265
Restricted for:				
Capital projects	5,720,669	-	5,720,669	-
Grants and specific programs	2,682,132	-	2,682,132	-
Human services programs.	1,447,238	-	1,447,238	-
Community and economic development	262,891	-	262,891	-
SCOC programs.	1,896,356	-	1,896,356	-
Roads and bridges.	15,470,273	-	15,470,273	-
Other purposes.	555	-	555	-
Debt service.	351,036	158,024	509,060	-
Unrestricted	4,628,893	975,521	5,604,414	960,962
Total net position	\$ 102,095,762	\$ 4,521,483	\$ 106,617,245	\$ 1,102,227

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SENECA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government:				
Legislative and executive.	\$ 7,304,405	\$ 2,403,899	\$ 40,536	\$ 276,788
Judicial.	2,382,816	1,089,960	190,683	-
Public safety.	7,190,688	1,690,936	825,439	-
Public works.	6,062,166	381,953	4,230,827	4,764,361
Health.	9,191,626	1,690,221	2,650,740	-
Human services.	7,873,553	217,806	6,382,064	-
Conservation and recreation.	86,788	-	-	-
Community and economic development.	950,486	-	909,946	-
Interest and fiscal charges.	483,696	-	-	-
Total governmental activities.	<u>41,526,224</u>	<u>7,474,775</u>	<u>15,230,235</u>	<u>5,041,149</u>
Business-type activities:				
Emergency Medical Services.	446,889	285,257	333,385	-
County Sewer District.	619,985	491,592	-	-
Total business-type activities.	<u>1,066,874</u>	<u>776,849</u>	<u>333,385</u>	<u>-</u>
Totals.	<u>\$ 42,593,098</u>	<u>\$ 8,251,624</u>	<u>\$ 15,563,620</u>	<u>\$ 5,041,149</u>
Component Unit:				
Seneca Re-Ad Industries, Inc.	<u>\$ 1,660,410</u>	<u>\$ 598,086</u>	<u>\$ 894,499</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:
General purposes
Seneca County Opportunity Center.
Sales taxes
Grants and entitlements not restricted to specific programs.
Contributions and donations.
Investment earnings.
Miscellaneous

Total general revenues

Transfers

Total transfers and general revenues.

Change in net position

Net position at beginning of year (restated).

Net positon at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
\$ (4,583,182)	\$ -	\$ (4,583,182)	\$ -
(1,102,173)	-	(1,102,173)	-
(4,674,313)	-	(4,674,313)	-
3,314,975	-	3,314,975	-
(4,850,665)	-	(4,850,665)	-
(1,273,683)	-	(1,273,683)	-
(86,788)	-	(86,788)	-
(40,540)	-	(40,540)	-
(483,696)	-	(483,696)	-
<u>(13,780,065)</u>	<u>-</u>	<u>(13,780,065)</u>	<u>-</u>
-	171,753	171,753	-
-	(128,393)	(128,393)	-
-	43,360	43,360	-
<u>(13,780,065)</u>	<u>43,360</u>	<u>(13,736,705)</u>	<u>-</u>
-	-	-	(167,825)
1,951,694	-	1,951,694	-
6,394,034	-	6,394,034	-
8,838,310	-	8,838,310	-
2,362,812	-	2,362,812	-
36,236	-	36,236	6,771
324,485	-	324,485	1,865
615,962	11,191	627,153	1,829
<u>20,523,533</u>	<u>11,191</u>	<u>20,534,724</u>	<u>10,465</u>
<u>(180,000)</u>	<u>180,000</u>	<u>-</u>	<u>-</u>
<u>20,343,533</u>	<u>191,191</u>	<u>20,534,724</u>	<u>10,465</u>
6,563,468	234,551	6,798,019	(157,360)
95,532,294	4,286,932	99,819,226	1,259,587
<u>\$ 102,095,762</u>	<u>\$ 4,521,483</u>	<u>\$ 106,617,245</u>	<u>\$ 1,102,227</u>

SENECA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Maintenance and Repair</u>	<u>Public Assistance</u>	<u>Seneca County Opportunity Center</u>
Assets:				
Equity in pooled cash and investments	\$ 5,114,664	\$ 13,963,560	\$ 423,337	\$ 5,788,086
Cash and cash equivalents in segregated accounts	176,097	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-
Receivables:				
Sales taxes	2,262,728	-	-	-
Property taxes	2,133,240	-	-	6,817,038
Accounts	27,289	-	-	9,260
Due from other funds	53,259	-	95	-
Interfund loans	185,693	-	-	728,000
Accrued interest	25,572	2,996	-	-
Intergovernmental	964,352	2,079,044	21,152	457,059
Loans	-	-	-	-
Loans to other funds	9,130	-	-	-
Materials and supplies inventory	57,896	411,201	-	9,765
Prepayments	195,470	12,877	26,812	63,265
Total assets	<u>\$ 11,205,390</u>	<u>\$ 16,469,678</u>	<u>\$ 471,396</u>	<u>\$ 13,872,473</u>
Liabilities:				
Accounts payable	\$ 382,218	\$ 38,018	\$ 131,919	\$ 223,319
Accrued wages and benefits payable	154,728	19,237	46,573	111,029
Matured compensated absences payable	-	-	-	11,337
Intergovernmental payable	194,129	3,500	21,626	35,246
Due to other funds	50	11	9,984	95
Interfund loans payable	-	-	-	-
Loans from other funds	-	-	-	-
Unearned revenue	-	-	-	4,792
Total liabilities	<u>731,125</u>	<u>60,766</u>	<u>210,102</u>	<u>385,818</u>
Deferred inflows of resources:				
Property taxes levied for the subsequent year	1,991,245	-	-	6,368,377
Delinquent property taxes not available	141,995	-	-	448,661
Accrued interest not available	6,422	1,215	-	-
Intergovernmental revenue not available	536,344	1,400,795	-	296,875
Sales taxes not available	864,946	-	-	-
Total deferred inflows of resources	<u>3,540,952</u>	<u>1,402,010</u>	<u>-</u>	<u>7,113,913</u>
Total liabilities and deferred inflows of resources	<u>4,272,077</u>	<u>1,462,776</u>	<u>210,102</u>	<u>7,499,731</u>
Fund balances:				
Nonspendable	438,593	424,078	26,812	73,030
Restricted	-	14,582,824	234,482	6,299,712
Committed	11,855	-	-	-
Assigned	4,260,263	-	-	-
Unreserved, undesignated, reported in:				
Unassigned (deficit)	2,222,602	-	-	-
Total fund balances	<u>6,933,313</u>	<u>15,006,902</u>	<u>261,294</u>	<u>6,372,742</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,205,390</u>	<u>\$ 16,469,678</u>	<u>\$ 471,396</u>	<u>\$ 13,872,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Joint Justice Center Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,875,377	\$ 6,956,496	\$ 45,121,520
-	-	176,097
-	374,265	374,265
-	-	2,262,728
-	-	8,950,278
-	8,153	44,702
-	50	53,404
-	-	913,693
1,159	-	29,727
-	91,167	3,612,774
-	29,279	29,279
-	-	9,130
-	2,381	481,243
2,559	29,344	330,327
<u>\$ 12,879,095</u>	<u>\$ 7,491,135</u>	<u>\$ 62,389,167</u>
\$ 22,617	\$ 227,583	\$ 1,025,674
-	26,484	358,051
-	-	11,337
-	24,803	279,304
-	42,774	52,914
-	913,693	913,693
-	9,130	9,130
-	52,331	57,123
<u>22,617</u>	<u>1,296,798</u>	<u>2,707,226</u>
-	-	8,359,622
-	-	590,656
1,159	-	8,796
-	-	2,234,014
-	-	864,946
<u>1,159</u>	<u>-</u>	<u>12,058,034</u>
<u>23,776</u>	<u>1,296,798</u>	<u>14,765,260</u>
2,559	31,725	996,797
12,852,760	5,268,665	39,238,443
-	-	11,855
-	1,345,365	5,605,628
-	(451,418)	1,771,184
<u>12,855,319</u>	<u>6,194,337</u>	<u>47,623,907</u>
<u>\$ 12,879,095</u>	<u>\$ 7,491,135</u>	<u>\$ 62,389,167</u>

SENECA COUNTY, OHIO

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

Total governmental fund balances		\$	47,623,907
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			73,044,192
Investments in joint ventures by the governmental activities are not financial resources and therefore are not reported in the funds.			4,874,104
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Sales taxes receivable	\$	864,946	
Delinquent property taxes receivable		590,656	
Intergovernmental receivable		2,234,014	
Accrued interest receivable		8,796	
Total		8,796	3,698,412
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds interest is accrued when due.			(28,325)
Unamortized prepaid bond insurance costs are amortized over the life of the bonds on the statement of net position.			33,233
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(473,786)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,470,062)	
Capital lease payable		(11,505)	
General obligation bonds payable		(10,585,000)	
Loans payable		(34,544)	
Total		(34,544)	(12,101,111)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows of resources - pension		8,590,975	
Deferred inflows of resources - pension		(492,389)	
Net pension asset		51,052	
Net pension liability		(22,724,502)	
Total		(22,724,502)	(14,574,864)
Net position of governmental activities		\$	102,095,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SENECA COUNTY, OHIO

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

	<u>General</u>	<u>Maintenance and Repair</u>	<u>Public Assistance</u>	<u>Seneca County Opportunity Center</u>
Revenues:				
Property taxes.	\$ 1,946,617	\$ -	\$ -	\$ 6,377,394
Sales taxes.	8,828,742	-	-	-
Special assessments	-	-	-	-
Charges for services.	3,609,249	68,219	-	1,412,522
Licenses and permits	2,991	-	-	-
Fines and forfeitures.	210,826	31,846	-	-
Intergovernmental.	2,141,158	4,442,675	4,287,560	3,354,056
Interest.	250,057	60,711	-	-
Rent	104,212	-	-	73,124
Contributions and donations.	31,236	-	-	8,512
Other.	297,285	42,857	124,201	925
Total revenues	<u>17,422,373</u>	<u>4,646,308</u>	<u>4,411,761</u>	<u>11,226,533</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,777,287	-	-	-
Judicial.	2,133,326	-	-	-
Public safety	6,153,734	-	-	-
Public works	88,100	4,117,475	-	-
Health	98,534	-	-	8,880,005
Human services	430,141	-	4,426,038	-
Conservation and recreation	98,989	-	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	5,489	-	-	-
Interest and fiscal charges	744	-	-	-
Bond issuance costs	-	-	-	-
Bond insurance	-	-	-	-
Total expenditures	<u>14,786,344</u>	<u>4,117,475</u>	<u>4,426,038</u>	<u>8,880,005</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,636,029</u>	<u>528,833</u>	<u>(14,277)</u>	<u>2,346,528</u>
Other financing sources (uses):				
Bond issuance.	-	-	-	-
Sale of capital assets.	1,265	-	-	-
Transfers in	104,212	16,365	134,358	-
Transfers (out).	(2,791,921)	-	-	-
Premium on bond issuance	-	-	-	-
Total other financing sources (uses)	<u>(2,686,444)</u>	<u>16,365</u>	<u>134,358</u>	<u>-</u>
Net change in fund balances	(50,415)	545,198	120,081	2,346,528
Fund balances at beginning of year	<u>6,983,728</u>	<u>14,461,704</u>	<u>141,213</u>	<u>4,026,214</u>
Fund balances at end of year	<u>\$ 6,933,313</u>	<u>\$ 15,006,902</u>	<u>\$ 261,294</u>	<u>\$ 6,372,742</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Joint Justice Center Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,324,011
-	-	8,828,742
-	185,506	185,506
-	1,335,743	6,425,733
-	49,466	52,457
-	225,687	468,359
3,450,000	5,190,662	22,866,111
13,105	3,789	327,662
-	165,384	342,720
-	5,000	44,748
7,757	142,932	615,957
<u>3,470,862</u>	<u>7,304,169</u>	<u>48,482,006</u>
-	651,191	6,428,478
-	179,997	2,313,323
-	884,143	7,037,877
-	139,622	4,345,197
-	155,440	9,133,979
-	2,786,771	7,642,950
-	-	98,989
-	950,486	950,486
1,716,968	1,616,626	3,333,594
-	490,314	495,803
-	191,276	192,020
-	278,500	278,500
-	33,900	33,900
<u>1,716,968</u>	<u>8,358,266</u>	<u>42,285,096</u>
<u>1,753,894</u>	<u>(1,054,097)</u>	<u>6,196,910</u>
8,681,115	223,885	8,905,000
-	-	1,265
1,050,000	3,153,205	4,458,140
-	(1,846,219)	(4,638,140)
-	483,293	483,293
<u>9,731,115</u>	<u>2,014,164</u>	<u>9,209,558</u>
11,485,009	960,067	15,406,468
<u>1,370,310</u>	<u>5,234,270</u>	<u>32,217,439</u>
<u>\$ 12,855,319</u>	<u>\$ 6,194,337</u>	<u>\$ 47,623,907</u>

SENECA COUNTY, OHIO

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

Net change in fund balances - total governmental funds	\$	15,406,468
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 5,742,608	
Current year depreciation	(3,582,107)	
Total		2,160,501
The net effect of various transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position.		
		(1,159,872)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	9,568	
Property taxes	21,717	
Intergovernmental revenues	(240,427)	
Investment income	(3,172)	
Total		(212,314)
Equity interests in joint ventures do not represent current resources and are not reported in the funds; however, gains or losses resulting from these investments increase or decrease assets on the statement of net position.		
		47,108
Proceeds from bond issuance are reported as an other financing source in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net position.		
		(8,905,000)
Repayment of bond, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		495,803
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(483,293)
Prepaid bond issuance costs on general obligation bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		33,900
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable	(22,016)	
Amortization of bond premiums	9,507	
Amortization of prepaid bond insurance	(667)	
Total		(13,176)
Contractually required contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		2,057,661
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(3,009,094)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		144,776
Change in net position of governmental activities	\$	6,563,468

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,935,600	\$ 1,946,617	\$ 1,946,617	\$ -
Sales taxes	8,617,173	8,873,780	8,873,780	-
Charges for services.	2,930,741	3,340,131	3,374,122	33,991
Licenses and permits	3,060	2,981	2,981	-
Fines and forfeitures	178,000	234,888	234,888	-
Intergovernmental.	1,909,380	2,150,844	2,155,628	4,784
Interest.	120,420	222,509	237,621	15,112
Rent	100,626	97,757	104,952	7,195
Contributions and donations.	-	31,236	31,236	-
Other.	205,000	270,663	277,119	6,456
Total revenues	<u>16,000,000</u>	<u>17,171,406</u>	<u>17,238,944</u>	<u>67,538</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	5,967,327	6,146,931	6,140,114	6,817
Judicial	2,477,861	2,504,761	2,266,745	238,016
Public safety	6,112,554	6,221,824	6,192,799	29,025
Public works	85,239	89,148	83,943	5,205
Health	116,979	116,189	116,189	-
Human services.	690,884	608,801	552,738	56,063
Conservation and recreation	153,600	148,600	98,600	50,000
Total expenditures	<u>15,604,444</u>	<u>15,836,254</u>	<u>15,451,128</u>	<u>385,126</u>
Excess of revenues over expenditures	<u>395,556</u>	<u>1,335,152</u>	<u>1,787,816</u>	<u>452,664</u>
Other financing sources (uses):				
Sale of capital assets.	-	1,265	1,265	-
Advances in	-	59,800	52,800	(7,000)
Advances (out).	-	(185,693)	(185,693)	-
Transfers in	-	104,212	104,212	-
Transfers (out).	(1,257,422)	(3,374,654)	(2,791,921)	582,733
Total other financing sources (uses)	<u>(1,257,422)</u>	<u>(3,395,070)</u>	<u>(2,819,337)</u>	<u>575,733</u>
Net change in fund balance	(861,866)	(2,059,918)	(1,031,521)	1,028,397
Fund balance at beginning of year	3,083,187	3,083,187	3,083,187	-
Prior year encumbrances appropriated	879,240	879,240	879,240	-
Fund balance at end of year	<u>\$ 3,100,561</u>	<u>\$ 1,902,509</u>	<u>\$ 2,930,906</u>	<u>\$ 1,028,397</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 355,000	\$ 86,597	\$ 88,392	\$ 1,795
Fines and forfeitures	33,500	35,084	35,084	-
Intergovernmental	4,100,000	4,301,365	4,433,242	131,877
Interest	45,000	46,687	50,576	3,889
Other	-	4,498	42,857	38,359
Total revenues	<u>4,533,500</u>	<u>4,474,231</u>	<u>4,650,151</u>	<u>175,920</u>
Expenditures:				
Current:				
Public works	4,613,435	5,375,460	4,458,095	917,365
Excess (deficiency) of revenues over (under) expenditures	<u>(79,935)</u>	<u>(901,229)</u>	<u>192,056</u>	<u>1,093,285</u>
Other financing sources:				
Advances in	-	563,175	563,175	-
Transfers in	-	16,365	16,365	-
Total other financing sources	<u>-</u>	<u>579,540</u>	<u>579,540</u>	<u>-</u>
Net change in fund balance	(79,935)	(321,689)	771,596	1,093,285
Fund balance at beginning of year	12,273,664	12,273,664	12,273,664	-
Prior year encumbrances appropriated	581,035	581,035	581,035	-
Fund balance at end of year	<u>\$ 12,774,764</u>	<u>\$ 12,533,010</u>	<u>\$ 13,626,295</u>	<u>\$ 1,093,285</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 4,092,890	\$ 4,323,602	\$ 4,335,054	\$ 11,452
Other	154,000	110,500	107,562	(2,938)
Total revenues	<u>4,246,890</u>	<u>4,434,102</u>	<u>4,442,616</u>	<u>8,514</u>
Expenditures:				
Current:				
Human services	<u>4,450,797</u>	<u>4,729,040</u>	<u>4,682,432</u>	<u>46,608</u>
Excess of expenditures over revenues	<u>(203,907)</u>	<u>(294,938)</u>	<u>(239,816)</u>	<u>55,122</u>
Other financing sources:				
Transfers in	<u>134,401</u>	<u>134,401</u>	<u>134,358</u>	<u>(43)</u>
Net change in fund balance	(69,506)	(160,537)	(105,458)	55,079
Fund balance at beginning of year	25,693	25,693	25,693	-
Prior year encumbrances appropriated	<u>171,097</u>	<u>171,097</u>	<u>171,097</u>	<u>-</u>
Fund balance at end of year	<u>\$ 127,284</u>	<u>\$ 36,253</u>	<u>\$ 91,332</u>	<u>\$ 55,079</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 6,011,293	\$ 6,377,394	\$ 6,377,394	\$ -
Charges for services	1,150,300	1,461,915	1,513,977	52,062
Intergovernmental	2,846,896	3,193,408	3,276,479	83,071
Rent	76,649	76,649	77,916	1,267
Contributions and donations.	4,000	8,512	8,512	-
Other.	-	-	925	925
Total revenues	<u>10,089,138</u>	<u>11,117,878</u>	<u>11,255,203</u>	<u>137,325</u>
Expenditures:				
Current:				
Health.	<u>14,374,577</u>	<u>13,275,176</u>	<u>9,574,609</u>	<u>3,700,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,285,439)</u>	<u>(2,157,298)</u>	<u>1,680,594</u>	<u>3,837,892</u>
Other financing uses:				
Transfers (out).	<u>(210,064)</u>	<u>(52,064)</u>	<u>-</u>	<u>52,064</u>
Net change in fund balance	<u>(4,495,503)</u>	<u>(2,209,362)</u>	<u>1,680,594</u>	<u>3,889,956</u>
Fund balance at beginning of year	3,445,954	3,445,954	3,445,954	-
Prior year encumbrances appropriated	646,349	646,349	646,349	-
Fund balance at end of year	<u>\$ (403,200)</u>	<u>\$ 1,882,941</u>	<u>\$ 5,772,897</u>	<u>\$ 3,889,956</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 322,504	\$ 739,928	\$ 1,062,432
Receivables:			
Accounts	145,038	168,909	313,947
Intergovernmental	1,573	-	1,573
Prepayments	1,714	770	2,484
Total current assets	<u>470,829</u>	<u>909,607</u>	<u>1,380,436</u>
Noncurrent assets:			
Net pension asset.	482	203	685
Capital assets:			
Non-depreciable capital assets	-	26,243	26,243
Depreciable capital assets, net	703,825	5,644,342	6,348,167
Total capital assets, net.	<u>703,825</u>	<u>5,670,585</u>	<u>6,374,410</u>
Total noncurrent assets	<u>704,307</u>	<u>5,670,788</u>	<u>6,375,095</u>
Total assets.	<u>1,175,136</u>	<u>6,580,395</u>	<u>7,755,531</u>
Deferred outflows of resources:			
Pension - OPERS.	78,589	33,171	111,760
Total assets and deferred outflows of resources	<u>1,253,725</u>	<u>6,613,566</u>	<u>7,867,291</u>
Liabilities:			
Current liabilities:			
Accounts payable	6,897	18,764	25,661
Accrued wages and benefits payable.	3,146	1,299	4,445
Due to other funds	1	489	490
Due to other governments	486	14,680	15,166
Unearned revenue.	-	302	302
Accrued interest payable	-	20,492	20,492
Revenue bonds payable.	-	53,000	53,000
OPWC loans payable	-	684	684
Total current liabilities	<u>10,530</u>	<u>109,710</u>	<u>120,240</u>
Long-term liabilities:			
Compensated absences payable.	2,604	-	2,604
Revenue bonds payable	-	2,927,652	2,927,652
OPWC loans payable	-	5,136	5,136
Net pension liability.	199,969	84,401	284,370
Total long-term liabilities	<u>202,573</u>	<u>3,017,189</u>	<u>3,219,762</u>
Total liabilities.	<u>213,103</u>	<u>3,126,899</u>	<u>3,340,002</u>
Deferred inflows of resources:			
Pension - OPERS.	4,083	1,723	5,806
Total liabilities and deferred inflows of resources.	<u>217,186</u>	<u>3,128,622</u>	<u>3,345,808</u>
Net position:			
Net investment in capital assets	703,825	2,684,113	3,387,938
Restricted for debt service	-	158,024	158,024
Unrestricted.	332,714	642,807	975,521
Total net position.	<u>\$ 1,036,539</u>	<u>\$ 3,484,944</u>	<u>\$ 4,521,483</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Operating revenues:			
Charges for services	\$ 285,257	\$ 490,167	\$ 775,424
Tap-in fees	-	1,425	1,425
Other operating revenues.	4,299	6,892	11,191
Total operating revenues.	<u>289,556</u>	<u>498,484</u>	<u>788,040</u>
Operating expenses:			
Personal services	215,082	83,316	298,398
Contract services	98,503	226,274	324,777
Materials and supplies	54,191	47,266	101,457
Depreciation	89,668	178,615	268,283
Other	1,609	1,495	3,104
Total operating expenses	<u>459,053</u>	<u>536,966</u>	<u>996,019</u>
Operating loss	<u>(169,497)</u>	<u>(38,482)</u>	<u>(207,979)</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	-	(83,019)	(83,019)
Gain on disposal of capital assets.	12,164	-	12,164
Grants and subsidies	333,385	-	333,385
Total nonoperating revenues (expenses)	<u>345,549</u>	<u>(83,019)</u>	<u>262,530</u>
Income (loss) before transfers	176,052	(121,501)	54,551
Transfer in	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Change in net position	356,052	(121,501)	234,551
Net position at beginning of year (restated)	<u>680,487</u>	<u>3,606,445</u>	<u>4,286,932</u>
Net position at end of year	<u>\$ 1,036,539</u>	<u>\$ 3,484,944</u>	<u>\$ 4,521,483</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Cash flows from operating activities:			
Cash received from customers	\$ 295,454	\$ 486,823	\$ 782,277
Cash received from tap-in fees	-	1,425	1,425
Cash received from other operations	4,299	5,590	9,889
Cash payments for personal services	(219,019)	(77,825)	(296,844)
Cash payments for contractual services	(101,447)	(226,812)	(328,259)
Cash payments for materials and supplies	(54,543)	(41,440)	(95,983)
Cash payments for other expenses	(27,379)	(1,865)	(29,244)
Net cash provided by (used in) operating activities. . .	<u>(102,635)</u>	<u>145,896</u>	<u>43,261</u>
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	331,812	-	331,812
Cash received from transfers in.	180,000	117,403	297,403
Cash used in transfers out	-	(117,403)	(117,403)
Net cash provided by noncapital financing activities. . .	<u>511,812</u>	<u>-</u>	<u>511,812</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(636,152)	(8,790)	(644,942)
Gain on sale of capital assets.	18,803	-	18,803
Principal retirement on revenue bonds.	-	(51,000)	(51,000)
Principal retirement on loans.	-	(684)	(684)
Interest and fiscal charges	-	(83,370)	(83,370)
Net cash used in capital and related financing activities.	<u>(617,349)</u>	<u>(143,844)</u>	<u>(761,193)</u>
Net increase (decrease) in cash and cash equivalents	(208,172)	2,052	(206,120)
Cash and cash equivalents at beginning of year	530,676	737,876	1,268,552
Cash and cash equivalents at end of year	<u>\$ 322,504</u>	<u>\$ 739,928</u>	<u>\$ 1,062,432</u>

- - (Continued)

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (169,497)	\$ (38,482)	\$ (207,979)
Adjustments:			
Depreciation	89,668	178,615	268,283
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable.	10,197	(3,454)	6,743
Prepayments.	(1,714)	(637)	(2,351)
Net pension asset	(116)	(48)	(164)
Deferred outflows - pension	(55,329)	(23,352)	(78,681)
Accounts payable	(26,748)	1,415	(25,333)
Accrued wages and benefits	731	313	1,044
Intergovernmental payable	(1,826)	2,829	1,003
Amounts due to other funds.	(604)	489	(115)
Compensated absences payable	(17,080)	-	(17,080)
Net pension liability	68,030	28,703	96,733
Deferred inflows - pension	1,653	697	2,350
Unearned revenue.	-	(1,192)	(1,192)
Net cash provided by (used in) operating activities.	<u>\$ (102,635)</u>	<u>\$ 145,896</u>	<u>\$ 43,261</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

	Agency
Assets:	
<i>Current assets:</i>	
Equity in pooled cash and investments	\$ 8,769,988
Cash in segregated accounts.	227,892
Receivables:	
Accounts	1,038,590
Intergovernmental.	2,829,111
Taxes	45,065,209
Prepayments.	34,530
Total assets	\$ 57,965,320
Liabilities:	
<i>Current liabilities:</i>	
Accrued wages and benefits.	\$ 27,439
Intergovernmental payable	50,181,498
Compensated absences	223,524
Undistributed monies	6,661,168
Deposits held and due to others.	871,691
Total liabilities	\$ 57,965,320

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

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

NOTE 1 - REPORTING ENTITY

Seneca County, Ohio (the County) was created in 1824. The County is governed by a Board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges and a Probate/Juvenile Court Judge. The County Commissioners authorize expenditures and serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County, although the elected officials manage the internal operations of their respective departments.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. Seneca County boards include the Board of Developmental Disabilities (Board of DD), the Job and Family Services Department and all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of the organization's governing body and 1) the County is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of the organization's debt or the levying of the organization's taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. The County has one component unit.

Component Unit - The component unit column on the entity-wide financial statements includes the financial data of the County's discretely presented component unit Seneca Re-Ad Industries, Inc. This is reported in a separate column to emphasize that it is legally separate from the County. Information in the following notes is applicable to the primary government. Information relative to the component unit is presented in Note 21.

Seneca Re-Ad Industries, Inc.

Seneca Re-Ad Industries Inc., is a not-for-profit corporation duly organized under Chapter 1702 O.R.C., and classified as a 501(c)(3) non-profit corporation. It has contracted with the Seneca County Board of DD to provide sheltered employment for developmentally disabled or handicapped adults in Seneca County. Responsibility for the provision of sheltered employment is with the Board of Trustees of Seneca Re-Ad Industries Inc., an eight member self appointing board that operates within the defined duties and stated rules of the Seneca County Board of DD. The Seneca Re-Ad Industries, Inc. receives all reasonable and just utility costs for the basic operation of this program from the Seneca County Board of DD. The staff, facilities, equipment, supplies and materials necessary for basic operation and care of the ground and facility for the Seneca Re-Ad program are also provided by the Seneca County Board of DD. In the event of dissolution of the non-profit corporation or the cancellation of the contract between the Seneca County Board of DD and Seneca Re-Ads, all materials and equipment purchased by the Seneca Re-Ads Industries, Inc. Board would become the property of the Seneca County Board of DD.

Separately issued financial statements for Seneca Re-Ad Industries, Inc. can be obtained from Reichert and Associates, CPAs, 206 West Hardin Street, Findlay, Ohio 45840.

Related Organizations -Seneca County officials are responsible for appointing a voting majority of the board members of the Seneca County Emergency Planning Commission, Tiffin Seneca Public Library, Seneca County Museum Advisory Board, Seneca County Convention and Visitors' Bureau and Seneca Metropolitan Housing Authority; however, Seneca County is not financially accountable for these entities because it cannot impose its will on any of these organizations and a financial benefit/burden relationship does not exist.

SENECA COUNTY, OHIO

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

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. The County serves as fiscal agent for the separate agencies, boards and commissions listed below, but is not financially accountable for these organizations. Accordingly, the activity of the following districts and agencies are presented as agency funds within Seneca County's financial statements:

- Seneca County General Health District
- Seneca County Emergency Planning Commission
- Seneca County Soil and Water Conservation District
- Seneca, Sandusky, Wyandot Mental Health and Recovery Services Board
- Seneca County Regional Planning Commission
- Seneca County Park District

The following organizations are joint ventures, jointly governed organizations, and pools in which the County participates. The financial information for these organizations is presented in Notes 19 and 20.

Sandusky County-Seneca County - City of Tiffin Port Authority

The Port Authority, a joint venture of Sandusky and Seneca Counties and the City of Tiffin, is established under the authority of Sections 4582.21 et. seq., of the Revised Code, with territorial limits co-terminus with the boundaries of the Counties, with Tiffin being within the boundaries of Seneca County. The Port Authority is governed by a seven member Board of Directors, consisting of two members from each of the counties and the city, with the seventh member being rotated between the three entities every four years. The members are appointed by the County Commissioners in the Counties, and by the Mayor of Tiffin in the City. Appointed members may hold no other public office or public employment except Notary Public, member of the State Militia, or member of a reserve component of the United States Armed Forces. Initial funding for organizational expenses, including purchase of real or personal property by the Port Authority, was contributed by each subdivision with no obligation of future contributions or financial support. The contributions were equal and simultaneous. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received.

Upon dissolution of the Port Authority, any remaining balances of the Port Authority's funds will be distributed equally to the City and the Counties after paying all expenses and debts.

Ottawa-Sandusky-Seneca County Solid Waste District

The Solid Waste District is a joint venture of Ottawa, Sandusky, and Seneca Counties and is established under the authority of Section 3734.54 of the Ohio Revised Code. The cost of operations and expenses is to be funded by fees collected by the District. In the event that fees are not sufficient for the purpose, the Counties shall share all operating costs and expenses incurred in the same proportions as the populations of the respective Counties bear to the total population of all the Counties. Upon the withdrawal of a county from the District, the Board of Directors shall ascertain, apportion, and order a division of the funds on hand, credits and real personal property of the District, either in money or in kind, on any equitable basis between the District and the withdrawing county. Should the District be dissolved, the Boards of County Commissioners shall continue to levy and collect taxes for the payment of any outstanding indebtedness. The Solid Waste District is governed by the three commissioners of each county involved.

Mental Health and Recovery Services (MHRS)

The Mental Health and Recovery Services Board is a joint venture between Seneca, Sandusky and Wyandot counties. The headquarters for the Mental Health Board is in Seneca County. The Board provides community services to mentally ill and emotionally disturbed persons. Statutorily created, a fourteen-member Board is the governing body. Eight members of the Board are appointed by the Board of County Commissioners from the respective counties of which members are residents, and six members are appointed by the State of Ohio, Department of Mental Health and Addiction Services. Revenues to provide mental health services are generated through state and federal grants. The Mental Health Board adopts its own

SENECA COUNTY, OHIO

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

budget, hires and fires staff and does not rely on the County to finance deficits. Seneca County is acting as fiscal agent to the Mental Health Board.

Northland Homes and Properties, Inc.

Northland Homes and Properties, Inc. is a not-for-profit corporation organized for charitable purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The corporation is a joint venture of the Board of DD of Seneca, Crawford, and Marion counties to provide a lifetime of affordable housing and residential services to citizens with developmental disabilities. The corporation is governed by a board of at least ten trustees with each participating county board of developmental disabilities appointing two. The trustees shall serve a maximum of three consecutive three-year terms.

County Risk Sharing Authority, Inc. (CORSA)

The County is a member of CORSA, which is a risk sharing pool among thirty-six 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 coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. 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.

County Commissioners' Association of Ohio Service Corporation (CCAOSC)

The CCAOSC is an Ohio corporation established to create an employer group workers compensation-rating plan as regulated by Section 4123.29 of the Ohio Revised Code. The CCAOSC is intended to achieve lower workers' compensation rates for the Group and establish safer working conditions and environments for each participant. The corporation is administered by a Group Executive Committee, which consists of seven members. Two of the members are the President and Treasurer of CCAOSC and five members, who must be County Commissioners, are elected by the participants as their representatives.

North Central Ohio Regional Council of Governments (NCORcog)

NCORcog is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

Clearwater Council of Governments

The Clearwater Council of Governments (Clearwater) is a regional council of governments comprised of the Boards of Developmental Disabilities (DD) of Crawford, Erie, Huron, Marion, Morrow, Ottawa, Sandusky, Seneca, and Wyandot Counties. The Board of Directors is made up of the superintendents from each of these DD Boards. Clearwater is the administrator of various grant monies for each these Boards of DD. The degree of control exercised by any participating government is limited to its representation of the Board. Financial information can be obtained from the Clearwater Council of Governments, 8200 West State Route 163, Oak Harbor, Ohio, 43449.

The initial, founding members, and Board of Directors are the North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, the Village of New Riegel, NorthCentralAcademy, TiffinCitySchool District, and SenecaEastLocalSchool District. The Superintendent of the North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting

SENECA COUNTY, OHIO

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

member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision is entitled to one vote. The North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Seneca County financial statements conforms to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The County's most significant accounting policies are described below.

A. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including the 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 statements distinguish between those activities of the County that are governmental in nature 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 business-type activities. 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 to support a particular program. Revenues that 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 proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are presented by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions of the County 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they

SENECA COUNTY, OHIO

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

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:

General fund - The General fund is used to account for and report all financial resources not accounted for and reported in another fund. The General fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Maintenance and Repair fund - The Maintenance and Repair fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, and investment revenue. Expenditures in this fund are restricted by State law to County road and bridge repair/improvement programs.

Public Assistance fund - The Public Assistance fund accounts for primarily federal grant money that is restricted for providing public assistance to County residents.

Seneca County Opportunity Center (SCOC) fund - The SCOC fund accounts for a county-wide property tax levy and federal and state grants and entitlements for operating the SCOC, and providing additional support services for handicapped individuals.

Joint Justice Center Construction fund - The Joint Justice Center Construction fund accounts for revenues and expenditures associated with the Joint Justice Center construction. Expenditures in this fund are restricted by the bond agreement.

Other governmental funds of the County are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. 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:

Emergency Medical Services(EMS) fund - The EMS fund accounts for revenue received from charges for transporting people to the hospital in emergency situations and money received from transfers from the General fund.

County Sewer District fund - The County Sewer District fund accounts for money received from user and tap-in fees for sewer services provided to residents in various development areas of the County and grant and loan activities for the sewer and wastewater treatment facility acquisition and construction.

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 not available to support the County's own programs. Currently, the County does not have any trust funds. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, State-levied shared revenues, and fines and forfeitures collected for and distributed to other political subdivisions.

SENECA COUNTY, OHIO

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds. Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-Exchange Transactions

Revenues 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means 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 after year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. 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

SENECA COUNTY, OHIO

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

County on a reimbursement basis. On the 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 both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, State-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest, and rent.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. 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, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures

On the accrual basis, 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.

E. Budgetary Process

All funds, other than 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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates the need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if there are projected increases or the County Auditor identifies decreases in revenue. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted.

SENECA COUNTY, OHIO

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

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 2016.

The appropriations 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 appropriations 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 County Commissioners during the year.

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments". During 2016, investments were limited to STAR Ohio, negotiable certificates of deposit (CDs), U.S. Government money market fund, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities, Federal National Mortgage Association (FNMA) securities, U.S. Bank commercial paper and a U.S. Government money market fund.

Cash and cash equivalents that are held separately within departments of the County, and not included in the County Treasury, are recorded as "cash and cash equivalents in segregated accounts". Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. Any increase or decrease in fair value is reported as a component of investment earnings.

During 2016, the County invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The County has also deposited funds in the STAR Plus program. The STAR Plus program allows Ohio's political subdivisions to deposit monies in a network of FDIC-insured banks via a single account.

Interest earnings are allocated to County funds according to State statutes and grant requirements. Interest revenue credited to the General fund during 2016 was \$250,057, which includes approximately \$205,745 assigned from the other County funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents in the financial statements. Investments with an initial maturity of more than three months, and not purchased from the cash management pool, are reported as investments.

SENECA COUNTY, OHIO

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

G. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepayments 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. At year-end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of expendable supplies held for consumption. On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources.

I. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the County. These loans are based upon written agreements between the County and the various loan recipients. Reported loans receivable is offset by a nonspendable, restricted, or committed fund balance in the governmental fund types.

J. Capital Assets

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in 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 used by the enterprise funds are reported in both 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 reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000 for all assets except infrastructure. The capitalization threshold for infrastructure is \$10,000. The County's infrastructure consists of roads, bridges, culverts and sewers. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and improvements (land and improvements not being depreciated, such as road base) 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>ESTIMATED LIVES</u>
Buildings and Improvements	31
Land Improvements	15
Machinery and Equipment	5-7
Vehicles.....	5
Infrastructure	5-50

SENECA COUNTY, OHIO

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “interfund loans receivable/payable” and receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds”. Receivables and payables resulting from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur are classified as “due to/from other funds”.

Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “internal balances”.

L. Compensated Absences

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 the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as liabilities using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the County’s termination policy. The County records a liability for sick leave for employees with seven or more years of service at varying rates depending on County policy.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave is paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans and capital lease obligations are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represent the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The County’s net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition,

SENECA COUNTY, OHIO

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

construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its use, either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 in the General fund.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of 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 nor committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

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

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

SENECA COUNTY, OHIO

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

P. 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 of the EMS and County Sewer District operations. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

Q. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial 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 non-operating revenues/expense 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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. No events of this nature occurred during 2016.

T. 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.

U. Pensions

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

V. Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

SENECA COUNTY, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the County's fiscal year 2016 financial statements (see Note 14); however, there was no effect on beginning net position/fund balance.

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

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the County's fiscal year 2016 financial statements (see Note 25); however, there was no effect on beginning net position/fund balance.

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

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The County participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The County incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

SENECA COUNTY, OHIO

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

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Community corrections	\$ 10,303
Community development building grant capital projects	17,174
Victims of crime act grant	8,750
Capital facilities note retirement	412,358

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

C. Restatement

The business-type activities and enterprise fund at January 1, 2016 have been restated as follows:

	<u>Business-Type Activities</u>
Net position as previously reported	\$ 4,117,338
Account payable	169,594
Restated net position at January 1, 2016	<u>\$ 4,286,932</u>

	<u>Enterprise Fund</u>
	<u>Emergency Medical Services Fund</u>
Net position as previously reported	\$ 510,893
Accounts payable	169,594
Restated net position at January 1, 2016	<u>\$ 680,487</u>

Net position for the business-type activities and enterprise fund have been restated due to an accounts payable amount recorded in the prior year that pertained to capital assets that were acquired in 2016.

NOTE 4 -DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

1. United States treasury bills, bonds, notes or any other obligations or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal

SENECA COUNTY, OHIO

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

Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, provided that such political subdivisions are located wholly or partly with 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 (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in 1 or 2 above, or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed two-hundred-seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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 by the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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.

A. Deposits with Financial Institutions

At December 31, 2016, the carrying amount of the County's deposits was \$25,260,309 of which \$227,892 is held in segregated accounts and \$374,265 is held with fiscal agent. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2016, \$24,219,932 of the County's bank balance of \$26,323,804 was exposed to custodial risk as discussed below, while \$2,103,872 was covered by the Federal Deposit Insurance Corporation.

SENECA COUNTY, OHIO

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

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are 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 institution 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 at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC. The County has nonnegotiable certificates of deposit with Republic Bank and First Bank that maintain specific pledged collateral in the County's name. After FDIC, the balance of \$650,000 is not subject to custodial credit risk.

B. Cash on Hand

At year end, the County had \$2,007 in undeposited cash on hand which is included on the financial statements as a component of "equity in pooled cash and investments".

C. Investments

As of December 31, 2016, the County had the following investments and maturities.

Measurement/ Investment Type	Measurement Amount	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 months
Amortized Cost:						
STAR Ohio	\$ 1,006,710	\$ 1,006,710	\$ -	\$ -	\$ -	\$ -
Fair Value:						
Commercial paper	11,394,615	7,779,624	3,614,991	-	-	-
Negotiable CD's	7,149,984	741,418	1,477,451	499,168	1,863,124	2,568,823
U.S. Government money market	1,565,961	1,565,961	-	-	-	-
FHLB	1,628,536	-	-	-	-	1,628,536
FHLMC	4,737,369	670,389	-	-	499,265	3,567,715
FNMA	2,286,220	-	-	-	694,194	1,592,026
Corporate note	700,483	-	-	700,483	-	-
Total	\$ 30,469,878	\$ 11,764,102	\$ 5,092,442	\$ 1,199,651	\$ 3,056,583	\$ 9,357,100

The weighted average maturity of investments is 1.53 years.

The County's investments in State Treasury Reserve (STAR Ohio), negotiable certificates of deposit, and U.S. Treasury notes are valued using quoted market prices (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits maturities only to matching anticipated cash flow requirements.

Credit Risk: STAR Ohio and the U.S. Government money market account assigned an AAAM rating from Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County's investments in federal agency securities were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The County's investments in Wells Fargo corporate notes were rated AA- and Aa2 by Standard and Poor's and

SENECA COUNTY, OHIO

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

Moody’s Investor Services, respectively. The U.S. Bank commercial paper was given a short-term rating of Prime-1 (P-1) from Moody’s Investor Services. The County has no investment policy that addresses credit risk.

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 investment or collateral securities that are in the possession of an outside party. The federal agency securities 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’s U.S. Bank commercial paper account was exposed to custodial credit risk, while the County’s negotiable CDs were covered by the FDIC. The County’s investment policy addresses custodial credit risk.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The percentage of each investment type held by the County as of December 31, 2016 is as follows:

Measurement/ Investment Type	Measurement Amount	% of Total
STAR Ohio	\$ 1,006,710	3.30
Commerical paper	11,394,615	37.40
Negotiable CD's	7,149,984	23.47
U.S. Government money market	1,565,961	5.14
FHLB	1,628,536	5.34
FHLMC	4,737,369	15.55
FNMA	2,286,220	7.50
Corporate note	700,483	2.30
Total	\$ 30,469,878	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments for the primary government as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 25,260,309
Investments	30,469,878
Cash on hand	2,007
Total	\$ 55,732,194
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 45,671,882
Business-type activities	1,062,432
Agency funds	8,997,880
Total	\$ 55,732,194

NOTE 5 - INTERFUND TRANSACTIONS

- A. Long-term interfund loans to/from other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

SENECA COUNTY, OHIO

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

Receivable fund	Payable funds	Amount
General	<i>Nonmajor Governmental Funds:</i> Sheriff programs	<u>\$ 9,130</u>

The long-term interfund loans were made in order to cover costs incurred in these funds. These loans will be repaid once the anticipated revenues are received. Long-term interfund loans between governmental funds are eliminated for reporting on the statement of net position.

- B.** Short-term interfund loans receivable/payable consisted of the following at December 31, 2016, as reported on the fund financial statements:

Receivable fund	Payable funds	Amount
General	<i>Nonmajor governmental funds:</i> Victims of crime act grant Community corrections Sheriff highway safety grant CDBG capital projects CBCF	\$ 15,000 5,000 4,000 88,600 <u>73,093</u>
Seneca County Opportunity Center	<i>Nonmajor governmental fund:</i> Capital facilities note retirement Total short-term interfund loans payable/receivable	 <u>728,000</u> <u>\$ 913,693</u>

Interfund loans receivable balances in the Seneca County Opportunity Center fund are from internal borrowing consisting of capital improvement notes to finance County projects internally rather than through outside parties. The internal notes are identified as to which funds are liable for repayment; however, the actual borrowing occurs from a pool of funds rather than specific funds. The borrowings pay interest to specified funds based on the percentage of fund balances.

The short-term interfund loans receivable balances in the General fund resulted from advances made to provide working capital for operations and other projects. All advances were authorized by resolution of the County Commissioners. Short-term interfund loans between governmental funds are eliminated for reporting on the statement of net position.

- C.** Amounts due to/from other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

SENECA COUNTY, OHIO

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

Due to other funds (payable):	Due from other funds (receivable):			
	General	Sheriff Programs	Public Assistance	Total
General fund	\$ -	\$ 50	\$ -	\$ 50
Maintenance and repair fund	11	-	-	11
Public assistance fund	9,984	-	-	9,984
Seneca County Opportunity Center	-	-	95	95
Nonmajor governmental funds	42,774	-	-	42,774
EMS	1	-	-	1
County sewer district	489	-	-	489
Total	<u>\$ 53,259</u>	<u>\$ 50</u>	<u>\$ 95</u>	<u>\$ 53,404</u>

Amounts due to/from other funds between governmental funds are eliminated for reporting on the statement of net position. Amounts due to/from other funds between governmental funds and enterprise funds are reported as a component of internal balance on the statement of net position.

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

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

Transfer to:	Transfer from:		
	General	Nonmajor Governmental	Total
General	\$ -	\$ 104,212	\$ 104,212
Maintenance and Repair	-	16,365	16,365
Public Assistance	134,358	-	134,358
Joint Justice Center Construction	550,000	500,000	1,050,000
Nonmajor governmental funds	1,927,563	1,225,642	3,153,205
EMS	180,000	-	180,000
Total	<u>\$ 2,791,921</u>	<u>\$ 1,846,219</u>	<u>\$ 4,638,140</u>

The transfer from the nonmajor governmental funds to the General fund was a transfer of residual equity upon fund closure.

Transfers among the governmental funds and transfers among the enterprise funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 statute permits later payment dates to be established.

SENECA COUNTY, OHIO

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to taxing districts their portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, property and other taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2016 operations, and for the delinquent portion, since the collection of the taxes during the available period is not subject to reasonable estimation. On an accrual basis, collectible delinquent property taxes have been recorded as a revenue while on a modified accrual basis this amount is recorded as a deferred inflow of resources.

The full tax rate for all County operations for the year ended December 31, 2016 was \$10.60 per \$1,000 of assessed value. \$1.90 per \$1,000 of assessed value is levied for the general operations, while the remaining \$8.70 is levied for the Seneca County Opportunity Center.

The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property	\$ 1,096,566,330	94.14 %
Public Utility Personal Property	<u>68,217,870</u>	<u>5.86 %</u>
Total Assessed Value	<u>\$ 1,164,784,200</u>	<u>100.00 %</u>

NOTE 7 - PERMISSIVE SALES AND USE TAX

In November, 1988, the Citizens of Seneca County passed a one percent sales and use tax on all retail sales except sales of motor vehicles made in the County and on the storage, use or consumption in the County of tangible personal property. On January 1, 2004 the Commissioners imposed a four-year temporary one-half of one percent sales tax effective January 1, 2004 through December 31, 2007. On February 6, 2007 the Commissioners passed a resolution to make the one-half of one percent sales tax permanent. Proceeds of the tax are credited entirely to the General fund.

Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within the forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year-end for amounts that will be received from sales, which occurred during 2016. On an accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable not collected within the available period is recorded as a deferred inflow of resources.

SENECA COUNTY, OHIO

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, interest, accounts (billings for user charged services including unbilled utility services), loans (community development block grant monies loaned to local businesses) and intergovernmental receivables arising from grants, entitlements and shared revenues. All intergovernmental revenues are considered collectible in full. Sewer enterprise fund receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Receivables recorded on the County's financial statements are recorded to the extent the amounts are determined material and substantiated, not only by supporting documentation, but also by a reasonable systematic method of determining their existence, completeness, valuations and collectability. Using these criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable and, because collections are often significantly in arrears, the County is unable to determine a reasonable value.

Loans receivable to be collected in the CDBG fund (a nonmajor governmental fund) amount to \$29,279, of which \$28,243 is expected to be collected in more than one year.

A summary of the principal items of intergovernmental receivables follows:

SENECA COUNTY, OHIO

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

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
Major Funds		
General Fund	Local Government	\$ 369,871
	Homestead and Rollback	134,390
	Jail Housing	117,682
	Casino revenue	319,490
	Defense of Indigents	22,919
		<hr/>
	<i>Total General Fund</i>	964,352
Maintenance and Repair	Motor Vehicle License	940,074
	Gasoline Tax	1,138,970
		<hr/>
	<i>Total Maintenance and Repair</i>	2,079,044
Public Assistance	H1 grants	21,152
Seneca County Opportunity Center		
	Homestead and rollback	244,539
	Title XIX	27,227
	Title XX	185,293
		<hr/>
	<i>Total Seneca County Opportunity Center</i>	457,059
EMS		<hr/>
		1,573
Nonmajor Governmental Funds		
Community development building grant capital projects	Grant	7,850
Community development building grant special revenue	Grant	2,500
Community based correctional facility	Grant	43,800
Community corrections	Grant	2,229
Ohio peace officer training	Grant	10,340
Sheriff highway safety grant	Grant	1,772
Juvenile court programs	Grant	10,515
Child support enforcement	Grant	8,411
Child services	Grant	3,750
		<hr/>
	<i>Total Nonmajor Governmental Funds</i>	91,167
Total		<hr/> <hr/>
		\$ 3,614,347

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016:

SENECA COUNTY, OHIO

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

Governmental Activities:	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 21,101,014	\$ 41,843	\$ -	\$ 21,142,857
Construction in Progress	693,058	2,237,913	(693,058)	2,237,913
Total Non-depreciable Capital Assets	21,794,072	2,279,756	(693,058)	23,380,770
<i>Depreciable Capital Assets:</i>				
Land Improvements	432,439	5,547	-	437,986
Buildings and Improvements	30,872,804	1,042,559	(192,404)	31,722,959
Machinery and Equipment	11,839,419	1,031,981	(257,708)	12,613,692
Infrastructure	51,262,948	1,382,765	(1,034,839)	51,610,874
Total Depreciable Capital Assets	94,407,610	3,462,852	(1,484,951)	96,385,511
Less: Accumulated Depreciation:				
Land Improvements	(78,368)	(28,860)	-	(107,228)
Buildings and Building Improvements	(16,968,390)	(803,227)	598	(17,771,019)
Machinery and Equipment	(10,125,539)	(712,692)	241,309	(10,596,922)
Infrastructure	(16,985,822)	(2,037,328)	776,230	(18,246,920)
Total Accumulated Depreciation	(44,158,119)	(3,582,107)	1,018,137	(46,722,089)
Total Depreciable Capital Assets, Net	50,249,491	(119,255)	(466,814)	49,663,422
Total Governmental Activities Capital Assets, Net	\$ 72,043,563	\$ 2,160,501	\$ (1,159,872)	\$ 73,044,192

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General government:	
Legislative and executive	\$ 877,671
Judicial	49,526
Public safety	165,636
Public works	2,344,100
Health	82,265
Human services	41,954
Conservation and recreation	20,955
Total Depreciation Expense	\$ 3,582,107

SENECA COUNTY, OHIO

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

Business-type Activities:	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 26,243	\$ -	\$ -	\$ 26,243
	<u>26,243</u>	<u>-</u>	<u>-</u>	<u>26,243</u>
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	218,465	-	-	218,465
Machinery and Equipment	1,222,260	644,942	(393,046)	1,474,156
Infrastructure	6,708,356	-	-	6,708,356
Total Depreciable Capital Assets	<u>8,149,081</u>	<u>644,942</u>	<u>(393,046)</u>	<u>8,400,977</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(144,009)	(6,384)	-	(150,393)
Machinery and Equipment	(1,050,257)	(92,689)	386,407	(756,539)
Infrastructure	<u>(976,668)</u>	<u>(169,210)</u>	<u>-</u>	<u>(1,145,878)</u>
Total Accumulated Depreciation	<u>(2,170,934)</u>	<u>(268,283)</u>	<u>386,407</u>	<u>(2,052,810)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>5,978,147</u>	<u>376,659</u>	<u>(6,639)</u>	<u>6,348,167</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,004,390</u>	<u>\$ 376,659</u>	<u>\$ (6,639)</u>	<u>\$ 6,374,410</u>

Depreciation expense was charged to business-type activities as follows:

<u>Business-Type Activities:</u>	
EMS enterprise	\$ 89,668
County Sewer District enterprise	<u>178,615</u>
Total Depreciation Expense	<u>\$ 268,283</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the County entered into lease agreements for copier and scanning equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

Principal and interest payments during 2016 totaled \$6,233 and were paid by the General fund. As of December 31, 2016, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$11,505.

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

SENECA COUNTY, OHIO

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

Year Ended <u>December 31,</u>	<u>Amount</u>
2017	\$ 3,483
2018	3,233
2019	3,233
2020	<u>2,694</u>
Total	12,643
Less: amount representing interest	<u>(1,138)</u>
Present value of net minimum lease payments	<u>\$ 11,505</u>

NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>Outstanding 12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 12/31/16</u>	<u>Amount Due Within One Year</u>
<i>Governmental Activities</i>					
Special Obligation Bonds	\$ -	\$ 8,905,000	\$ -	\$ 8,905,000	\$ 250,000
General Obligation Bonds	2,165,000	-	(485,000)	1,680,000	510,000
Compensated Absences	1,614,838	103,713	(237,152)	1,481,399	293,463
OWDA On-Lot Septic Loan	39,858	-	(5,314)	34,544	5,314
Net Pension Liability	15,848,045	6,876,457	-	22,724,502	-
Capital Lease Payable	<u>16,994</u>	<u>-</u>	<u>(5,489)</u>	<u>11,505</u>	<u>2,981</u>
Governmental Activities	<u>\$ 19,684,735</u>	<u>\$ 15,885,170</u>	<u>\$ (732,955)</u>	34,836,950	<u>\$ 1,061,758</u>
		Add: Unamortized Premium on Bond Issue:		473,786	
				<u>\$ 35,310,736</u>	
<i>Business-type Activities</i>					
Sewer District Improvement					
Revenue Bonds	\$ 3,031,652	\$ -	\$ (51,000)	\$ 2,980,652	\$ 53,000
Compensated Absences	19,684	-	(17,080)	2,604	-
Net Pension Liability	187,637	96,733	-	284,370	-
OPWC Sewer Project Loan	<u>6,504</u>	<u>-</u>	<u>(684)</u>	<u>5,820</u>	<u>684</u>
Business-type Activities	<u>\$ 3,245,477</u>	<u>\$ 96,733</u>	<u>\$ (68,764)</u>	<u>\$ 3,273,446</u>	<u>\$ 53,684</u>

Special Obligation Bonds

On July 7, 2016, the County issued \$8,905,000 in series 2016 special obligation sales tax supported bonds to provide funds to pay part of the County's portion of the costs of the Joint Justice Center Project.

The series 2016 special obligation sales tax supported bonds are comprised of \$8,905,000 in serial bonds. The interest rate on the current interest bonds range from 2% to 4%. The bonds were issued for a twenty-six year period, with a final stated maturity date of December 1, 2041. The bonds will be retired through the county sales tax bond retirement fund (a nonmajor governmental fund).

SENECA COUNTY, OHIO

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

General Obligation Bonds

On June 9, 2009, the County issued \$5,285,000 in general obligation refunding bonds to refund other general obligation bonds. General obligation bonds pledge the full faith and credit of the government. The general obligation bonds mature on December 1, 2023, and bear an annual interest rate of 2.00-5.00 percent. At December 31, 2016, the County had \$1,680,000 in general obligation bonds outstanding. The general obligation refunding bonds are paid from the bond retirement fund (a nonmajor governmental fund) by money received from the leases to the various departments and other offices that also occupy the building and the balance from the General fund.

The County issued general obligation refunding bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,070,000 of general obligation bonds. The investments and fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of December 31, 2016, the amount of defeased debt amounted to \$1,680,000.

Sewer District Improvement Revenue Bonds

On June 21, 2012, the County authorized the issuance of \$3,212,000 in sewer district improvement revenue bonds at an interest rate of 2.75% for the acquisition and construction of sewer systems throughout the County. This issuance is composed of \$1,712,000 in series 2012A revenue bonds, \$400,000 in series 2012B revenue bonds, and \$1,100,000 in series 2012C revenue bonds. The bonds are liabilities of the County Sewer District enterprise fund, are payable with charges for sewer service, and are backed by the full faith and credit of the County should these revenues be insufficient to satisfy future debt service requirements. Principal and interest payments on the bonds during 2016 required 95.89% of net revenues and 26.96% of total revenues. The total principal and interest remaining to be paid on the bonds is \$4,656,168. Principal and interest paid for the current year was \$134,371, total net revenues were \$140,133 and total revenues were \$498,484.

Proceeds from the series 2012A and 2012B sewer district improvement revenue bonds were used for the construction of sewer lines and a wastewater treatment facility in the unincorporated community of Bascom in Hopewell Township. Principal payments on the series 2012A and 2012B bonds are payable annually on October 1, beginning in 2014 and continuing through 2051. Proceeds from the series 2012C sewer district improvement revenue bonds were used to acquire the Village of New Riegel's sewer operations through the retirement of the Village of New Riegel's outstanding sewer system mortgage revenue bonds. Principal payments on the series 2012C bonds began on October 1, 2012, and continue annually through 2051.

Loans Payable

The County has an interest-free Ohio Water Development Authority (OWDA) loan which is paid directly from the EPA On-Lot Septic Grant capital projects fund with money received from repayment of loans to individuals. The OWDA loan is an interest free loan. Disbursement of the proceeds was not capitalized as an asset, therefore the balance of the OWDA loan is not included in the calculation of the County's net investment in capital assets.

The County has two loans from the Ohio Public Works Commission (OPWC). The first OPWC loan for the Honey Creek Sewer Separation Project is reported as a liability of the County Sewer District enterprise fund and is paid directly from the user fees charged to residents of the sewer district. The second OPWC loan for County Road 20/36/62 Pavement Resurfacing is reported as a liability of the governmental activities, payments for which will be made from the Maintenance and Repair fund. The OPWC loans are interest free loans. There were no further obligations outstanding on the County Road 20/36/62 Pavement Resurfacing Loan.

SENECA COUNTY, OHIO

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

Capital Lease Obligation - Capital lease payments are made from the General fund. See Note 10 for detail on capital lease obligations.

Net Pension Liability - See Note 14 for details.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid. Among the County's governmental activities, these funds include General fund and the following nonmajor governmental funds: Real Estate Assessment, Ditch Maintenance, CSEA, Maintenance and Repair, DRETAC, Public Assistance, Dog and Kennel, Seneca County Opportunity Center, Community Corrections Grant, Emergency Medical Services, Emergency Management Agency, Delinquent Care and Custody Grant, Allen Eiry Guardianship, Victims of Crime Act Grant, Probate Court Programs, and Juvenile Court Programs. Compensated absences of the business-type activities will be made from the EMS enterprise fund.

Legal Debt Margin

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. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$26,864,171 at December 31, 2016 and the unvoted legal debt margin was \$10,892,408 at December 31, 2016.

The following is a summary of the County's future annual debt service principal and interest requirements for long-term obligations of the governmental activities:

Year Ended	General Obligation Bonds			OWDA On-Lot Septic Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 510,000	\$ 61,155	\$ 571,155	\$ 5,314	\$ -	\$ 5,314
2018	530,000	44,580	574,580	5,314	-	5,314
2019	115,000	26,560	141,560	5,314	-	5,314
2020	125,000	21,788	146,788	5,314	-	5,314
2021	130,000	16,600	146,600	5,314	-	5,314
2022 - 2023	270,000	16,808	286,808	7,974	-	7,974
Total	<u>\$ 1,680,000</u>	<u>\$ 187,491</u>	<u>\$ 1,867,491</u>	<u>\$ 34,544</u>	<u>\$ -</u>	<u>\$ 34,544</u>

SENECA COUNTY, OHIO

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

Year Ended	Sales Tax Supported Bonds		
	Principal	Interest	Total
2017	\$ 250,000	\$ 278,750	\$ 528,750
2018	260,000	273,750	533,750
2019	265,000	268,550	533,550
2020	270,000	263,250	533,250
2021	275,000	257,850	532,850
2022 - 2026	1,470,000	1,188,625	2,658,625
2027 - 2031	1,700,000	963,750	2,663,750
2032 - 2036	2,000,000	652,150	2,652,150
2037 - 2041	2,415,000	236,100	2,651,100
Total	\$ 8,905,000	\$ 4,382,775	\$ 13,287,775

The following is a summary of the County's future annual debt service requirements for long-term obligations of the business-type activities:

Year Ended	OPWC Sewer Project Loan			Sewer District Improvement Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 684	\$ -	\$ 684	\$ 53,000	\$ 81,967	\$ 134,967
2018	685	-	685	54,000	80,510	134,510
2019	685	-	685	56,000	79,025	135,025
2020	685	-	685	57,000	77,486	134,486
2021	684	-	684	59,000	75,917	134,917
2022 - 2026	2,397	-	2,397	320,000	354,233	674,233
2027 - 2031	-	-	-	364,000	307,979	671,979
2032 - 2036	-	-	-	420,000	254,876	674,876
2037 - 2041	-	-	-	479,000	193,991	672,991
2042 - 2046	-	-	-	549,000	124,471	673,471
2047 - 2051	-	-	-	569,652	45,061	614,713
Total	\$ 5,820	\$ -	\$ 5,820	\$ 2,980,652	\$ 1,675,516	\$ 4,656,168

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The County maintains liability insurance in the amount of \$1,000,000 general aggregate. In addition, the County maintains replacement cost insurance on all buildings and their contents, with a \$2,500 deductible on contents. Blanket building and personal property insurance are in the amount of \$132,954,969, which includes builders risk coverage.

The County has additional insurance coverage in the following amounts for various items:

General Liability	\$1,000,000	Foster Parents	\$5,000,000
Crime Coverage.....	\$1,000,000	Valuable Papers.....	\$2,500,000
Errors and Omissions Liability.....	\$1,000,000	Prosecuting Attorney Defense.....	\$25,000
Employee Dishonesty.....	\$1,000,000	Fleet Insurance:	

SENECA COUNTY, OHIO

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

Law Enforcement Liability	\$1,000,000	Deductible	\$2,500
Equipment Breakdown Coverage.....	\$100,000,000	Liability	\$1,000,000
Stop Gap Liability	\$1,000,000	Uninsured/Underinsured Motorist.....	\$250,000
Excess Liability	\$4,000,000	Sewer Lines	\$3,802,115
Flood	\$100,000,000	Earthquake.....	\$100,000,000

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in insurance coverage from last year.

B. Worker's Compensation

The County participates in the County Commissioners Association of Ohio Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants of the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program, and to maximize the number of participants in the Program, the Program's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Program is limited to counties that can meet the Plan's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control, and actuarial services to the Program to cover the costs of administering the Program.

The County may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation; however, the participant is not relieved of the obligation to pay any amounts owed to the program prior to withdrawal, and any participant leaving the Program allows representatives of the Program to access loss experience for three years following the last year of participation.

C. Natural Gas

The County participates in the County Commissioners Association of Ohio Service Corporation Natural Gas Program (the Program), a natural gas cost savings pool. In 1999 the CCAO Service Corporation (CCAOSC) Board of Trustees authorized the establishment of a Natural Gas Program for CCAO members. The 31 counties that enrolled in the program save money in two ways: 1) Pre-payment - 1 bcf of gas was purchased from CMS, a Michigan corporation, for the next ten years. Members save \$.07 per mcf below the FERC index. 2) Aggregation - buying as a group.

CCAOSC Natural Gas Program currently has 31 member counties enrolled in the program. The program was designed by Seasongood and Mayer. Taxable bonds in the amount of \$29,890,000 were issued by Hamilton County on October 31, 2000 to assist the CCAOSC and the CCAOSC Natural Gas Program member counties. The program began on November 1, 2000. Huntington Bank is the trustee for the program.

Counties sign up for the program through CCAO, who also receives payments and handles administrative duties. The gas commodity is managed by Exelon Energy. CCAO earns approximately \$20,000 to defray expenses. No staff salaries are paid from the program. CCAO established the program as a service to the Counties.

NOTE 13 - EMPLOYEE BENEFITS

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time, not to exceed vacation earned in three years, is paid upon

SENECA COUNTY, OHIO

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

separation if the employee has at least one year of service with the County. Sick leave time may be accrued without limit. Accumulated, unused sick leave is paid at varying rates depending on length of service to employees who retire.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be

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obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of

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service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0 %	2.0 %	2.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$2,042,718 for 2016. Of this amount, \$53,306 is reported as intergovernmental payable.

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

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14% on July 1, 2016. For January 1, 2016 through June 30, 2016, plan members were required to contribute 13% of their annual covered salary. For July 1, 2016 through December 31, 2016, plan members were required to

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contribute 14% of their annual covered salary. The County was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$79,044 for 2016.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS's total pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.127219%	0.00488843%	
Proportion of the net pension liability current measurement date	<u>0.129323%</u>	<u>0.00460020%</u>	
Change in proportionate share	<u>0.002104%</u>	<u>-0.00028823%</u>	
Proportion of the net pension asset prior measurement date	0.110645%		
Proportion of the net pension asset current measurement date	<u>0.181939%</u>		
Change in proportionate share	<u>0.071294%</u>		
Proportionate share of the net pension liability	\$ 21,469,046	\$ 1,539,826	\$ 23,008,872
Proportionate share of the net pension asset	51,737	-	51,737
Pension expense	3,135,387	(78,998)	3,056,389

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

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	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,814	\$ 62,216	\$ 64,030
Net difference between projected and actual earnings on pension plan investments	6,333,204	127,846	6,461,050
Changes in employer's proportionate percentage/difference between employer contributions	59,753	33,184	92,937
City contributions subsequent to the measurement date	<u>2,042,718</u>	<u>42,000</u>	<u>2,084,718</u>
Total deferred outflows of resources	<u>\$ 8,437,489</u>	<u>\$ 265,246</u>	<u>\$ 8,702,735</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 438,312	\$ -	\$ 438,312
Changes in employer's proportionate percentage/difference between employer contributions	<u>-</u>	<u>59,883</u>	<u>59,883</u>
Total deferred inflows of resources	<u>\$ 438,312</u>	<u>\$ 59,883</u>	<u>\$ 498,195</u>

\$2,084,718 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

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

Year Ending December 31:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ 1,415,937	\$ 26,184	\$ 1,442,121
2018	1,507,617	26,184	1,533,801
2019	1,613,079	75,236	1,688,315
2020	1,430,519	35,756	1,466,275
2021	(2,743)	3	(2,740)
Thereafter	<u>(7,950)</u>	<u>-</u>	<u>(7,950)</u>
Total	<u>\$ 5,956,459</u>	<u>\$ 163,363</u>	<u>\$ 6,119,822</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Wage inflation	3.75 percent
Future salary increases, including inflation COLA or ad hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80 percent simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40% for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8% for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers

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are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8%, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 34,205,435	\$ 21,469,046	\$ 10,726,305
Combined Plan	(1,058)	(51,475)	(92,030)
Member-Directed Plan	686	(263)	(686)

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The

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target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 2,046,303	\$ 1,539,826	\$ 1,112,582

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and

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beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$336,197, \$296,476, and \$333,730, respectively; 97.86% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

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

B. State Teachers Retirement System of Ohio

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the Plan) administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0 and \$4,965, respectively. The full amount has been contributed for 2014.

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NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General fund, maintenance and repair fund, public assistance fund and Seneca County Opportunity Center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the General fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

	Net Change in Fund Balance			
	<u>General Fund</u>	<u>Maintenance and Repair Fund</u>	<u>Public Assistance Fund</u>	<u>Seneca County Opportunity Center Fund</u>
Budget basis	\$ (1,031,521)	\$ 771,596	\$ (105,458)	\$ 1,680,594
Net adjustment for revenue accruals	(111,230)	(3,843)	(30,855)	(28,670)
Net adjustment for expenditure accruals	(63,105)	7,865	(75,611)	(48,585)
Net adjustment for other sources/uses	132,893	(563,175)	-	-
Funds budgeted elsewhere	71,165	-	-	-
Adjustment for encumbrances	<u>951,383</u>	<u>332,755</u>	<u>332,005</u>	<u>743,189</u>
GAAP basis	<u>\$ (50,415)</u>	<u>\$ 545,198</u>	<u>\$ 120,081</u>	<u>\$ 2,346,528</u>

SENECA COUNTY, OHIO

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

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the metal expense rotary fund, sheriff rotary fund, unclaimed monies fund, hazardous materials fund, clerk of courts title administration fund, public safety rental fund, recorder equipment fund, employee benefits fund, and underground storage tank fund.

NOTE 17 - CONTINGENT LIABILITIES

The County has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies on their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be not be material.

The County is named among defendants in pending litigation. Plaintiffs are seeking damages in excess of one million dollars from all defendants; however, as of December 31, 2016, the likelihood of a successful claim against the County is not known.

NOTE 18 - CONDUIT DEBT OBLIGATIONS

The County has previously issued Hospital and Healthcare Facilities Revenue Refunding Bonds to provide financial assistance to the Flat Rock Homes, Good Shepherd Home, St. Francis Home, Inc., Project and Catholic Healthcare Partners. During 2013 the County issued Health Care Facilities Revenue Bonds to provide assistance to Volunteers of America Rehabilitation Centers, Inc. and Economic Development and Lease Revenue Bonds to provide assistance to Heidelberg University. The bonds are secured by the properties financed and are payable solely from the payments received on the underlying leases. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the issuances. Neither Seneca County, the State of Ohio, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds or lease; therefore, these obligations are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, an estimated \$608,322,527 in revenue bond obligations were outstanding.

NOTE 19 - PUBLIC ENTITY RISK POOLS

A. County Risk Sharing Authority (CORSA)

The County is a member of CORSA, which is a public entity risk sharing pool of thirty-nine 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 coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. 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. Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

SENECA COUNTY, OHIO

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

B. County Commissioners Association of Ohio Service Corporation (CCAOSC)

The County is participating in the County Commissioners Association of Ohio Service Corporation (CCAOSC), a pool established under the rules of Ohio Revised Code Section 4123.29, which permits the establishment of employer group rating plans. The CCAOSC was established through the County Commissioners Association of Ohio (CCAO) in order to group the experience of employers for workers' compensation rating purposes.

CCAOSC retains the services of a third party administrator (TPA) in the administration of workers' compensation claims. A Group Executive Committee consists of seven members. Two of the members are president and treasurer, the remaining five members, who must be county commissioners, are elected by the participants. The Group Executive Committee calculates annual rate contributions and rebates, approves the selection of a TPA, approves proposed TPA fees and determines eligibility of participants. The County may withdraw from the group with sixty days written notice and is responsible for payment of its workers' compensation with no further responsibilities or equity. Further financial information for the County Commissioner Association of Ohio Service Corporation can be seen in the CCAO Treasurer's Report as of December 31, 2016.

NOTE 20- JOINT VENTURES

A. Sandusky County-Seneca County-City of Tiffin Port Authority

Seneca County joined Sandusky County and the City of Tiffin in a joint venture, as described in Note 1, to purchase a railroad line from Tiffin to Woodville. The Port Authority may be dissolved at any time upon the enactment of an ordinance by the City and resolutions by the Counties. Any real or personal property will be returned to the subdivision from which it was received. Upon dissolution of the Port Authority, any personal property belonging to the Port Authority will be distributed equally to the City and the Counties after paying all expenses and debts. Non-interest revenue bonds were issued by the Port Authority during 1989 to purchase 25.1 miles of railroad in May 1990. Debt service requirements are secured by future revenue from shippers who will utilize the railroad. Principal is payable on the bonds through 2028. Summary financial information for the Port Authority for the year ended December 31, 2016 is presented on the next page. Further financial information is in the Sandusky County-Seneca County-City of Tiffin Port Authority financial report for the year ending December 31, 2016.

	Joint Venture	County Share
Total Assets	\$ 4,871,922	\$ 1,623,974
Total Liabilities	(639,463)	(213,154)
Net Position	\$ 4,232,459	\$ 1,410,820
Revenues	\$ 157,290	\$ 52,430
Expenses	(224,957)	(74,986)
Decrease in Net Position	\$ (67,667)	\$ (22,556)

B. Ottawa, Sandusky, Seneca Solid Waste District

Seneca County has also entered into a joint venture with Ottawa and Sandusky Counties to form the Ottawa, Sandusky, Seneca County Solid Waste District. The Counties contributed no initial funding and the District is funded entirely by fees. In the event that fees are not sufficient for the operations, the counties shall share all operating costs and expenses incurred in the same proportions as the populations of the

SENECA COUNTY, OHIO

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

respective counties bears to the total population of all counties. Seneca County's share of the total is approximately 35.46%. Summary financial information as of, and for the fiscal year ended December 31, 2016 is presented below:

	<u>Joint Venture</u>	<u>County Share</u>		<u>Population</u>	<u>Equity Percent</u>
Beginning Net Position	\$ 3,350,464	\$ 1,187,991	Ottawa	41,154	26.21%
			Sandusky	60,179	38.33%
Revenues	1,525,860	541,032	Seneca	55,669	35.46%
Expenses	<u>(1,646,775)</u>	<u>(583,905)</u>	Total	<u>157,002</u>	<u>100.00%</u>
Ending Net Position	<u>\$ 3,229,549</u>	<u>\$ 1,145,118</u>			

Summary financial information on the Ottawa, Sandusky, Seneca County Solid Waste District is unaudited cash basis financial data. Further information was not available at this time. Additional financial information can be obtained from the Sandusky County, Ohio Auditor.

C. Mental Health and Recovery Services Board (MHRS)

The Mental Health and Recovery Services Board (MHRS) is a governmental joint venture between Seneca, Sandusky and Wyandot counties. The MHRS Board provides mental health education, consultation, training and referral services to the public. Seneca County serves as the fiscal agent of the MHRS Board. The counties share in the equity of the MHRS Board based on the percentages of population within the three counties.

Summary financial information as of, and for the year ended December 31, 2016 is presented below. Further financial information can be found in the Annual Financial Report of the Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties as of December 31, 2016.

	<u>Joint Venture</u>	<u>County Share</u>		<u>Population</u>	<u>Equity Percent</u>
Beginning Net Position	\$ 4,054,718	\$ 1,633,289	Sandusky	60,179	43.55%
			Seneca	55,669	40.28%
Revenues	4,567,501	1,839,843	Wyandot	22,353	16.17%
Expenses	<u>(4,307,898)</u>	<u>(1,735,272)</u>	Total	<u>138,201</u>	<u>100.00%</u>
Ending Net Position	<u>\$ 4,314,321</u>	<u>\$ 1,737,860</u>			

D. Northland Homes and Properties, Inc.

Northland Homes and Properties, Inc. is a not-for-profit corporation organized for charitable purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The corporation is a joint effort of the DD Boards of Seneca, Crawford and Marion counties to provide a lifetime of affordable housing and residential services to citizens with developmental disabilities. The corporation is governed by a board of at least ten Trustees with each participating county board of developmental disabilities appointing two. The Trustees shall serve a maximum of three consecutive three-year terms. The housing purchases are financed by State grants that are distributed to each Board of DD and then to the Corporation. The Boards of DD also fund the operational costs of the Corporation.

Upon dissolution of the corporation, the Board of Trustees shall distribute all remaining assets of the corporation to the participating county boards of developmental disabilities.

Summary financial information as of, and for the fiscal year ended December 31, 2016 is presented below. Further financial information can be found in the Northland Homes and Properties, Inc. financial report as of December 31, 2016.

SENECA COUNTY, OHIO

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

	Joint Venture	County Share
Total Assets	\$ 2,587,257	\$ 862,419
Total Liabilities	(846,340)	(282,113)
Net Position	\$ 1,740,917	\$ 580,306
Revenues	\$ 492,109	\$ 147,478
Expenses	(465,868)	(154,469)
Increase in Net Position	\$ 26,241	\$ (6,991)

NOTE 21 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT

Seneca Re-Ad Industries, Inc. is a not-for-profit corporation duly organized under Chapter 1702 O.R.C., and classified as a 501(c)(3) nonprofit corporation. It has contracted with the Seneca County Board of DD to provide sheltered employment for developmentally disabled or handicapped adults in Seneca County. Responsibility for the provision of sheltered employment is with the Board of Trustees of Seneca Re-Ad Industries, Inc., an eight member self-appointing board that operates within the defined duties and stated rules of Seneca County Board of DD. The Seneca Re-Ad Industries, Inc. receives all reasonable and just utility costs for the basic operation of this program from Seneca County Board of DD. The staff, facilities, equipment, supplies and materials necessary for basic operation and care of the grounds and facility for the Seneca Re-Ad Industries, Inc. program are also provided by Seneca County Board of DD. In the event of dissolution of the non-profit corporation or the cancellation of the contract between Seneca County Board of DD and Seneca Re-Ad Industries, Inc., all materials and equipment purchased by the Seneca Re-Ad Industries, Inc. Board would become the property of the Seneca County Board of DD.

Seneca Re-Ad Industries, Inc. has a June 30 reporting year-end; therefore, all information pertaining to the industries will be presented as of and for the year ended June 30, 2016. Further financial information can be seen in the Seneca Re-Ad Industries, Inc. Financial Report as of June 30, 2016 available from Reichert and Associates, CPA's, 206 West Hardin Street, Findlay, Ohio 45840.

Seneca Re-Ad Industries, Inc. provides therapeutic activities, vocational training, and sheltered employment for developmentally disabled persons of Seneca County, Ohio. Seneca Re-Ad Industries, Inc. also fosters the development of integrated programs and promotes the general welfare of the developmentally disabled without regard to race, color, creed, sex or national origin.

- A. Significant Accounting Policies - Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting. The accounts of the entity are organized on the basis of one operating fund.

Unrestricted Funds represent amounts received from service charges from industry, interest income and donations. Unrestricted funds represent the portion of expendable funds that are available for the budgeted operations of the entity.

Temporarily Restricted Funds consist of program revenues received from varying funding sources. Satisfaction of the temporary restriction is made when the revenue is applied to the cost of a project or when authorization is received from the grantor for special purchases. Temporarily restricted funds must be used in accordance with grant agreements with the funding sources. There are no temporarily restricted funds at fiscal year end.

Capital Assets: Equipment values, purchased and donated, are assigned original acquisition costs. Donated capital assets are capitalized at fair value on the date donated. Seneca Re-Ad maintains a capitalization threshold of five hundred dollars.

SENECA COUNTY, OHIO

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

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Cash and Cash Equivalents - Cash and cash equivalents are made up of the following:

	Fair Value		Fair Value
PNC Bank	\$ 360,533	Superior Credit Union	\$ 36,788
Croghan Colonial Bank	4,378	Republic Bank	75,397
First Bank	47,365	First National Bank	138,389
Fifth Third CD	47,314	Petty Cash Funds	450
FirstMerit CD	86,980		
Old Fort Bank CD	68,552		
		<i>Total Cash and Short-Term Investments</i>	\$ 866,146

FDIC Insurance insures all funds except for petty cash funds.

C. Capital Assets - A summary of changes in capital assets by class during the fiscal year ended June 30, 2016 are as follows:

	Balance at 6/30/2015	Additions	Deletions	Balance at 6/30/2016
Land	\$ 2,945	\$ -	\$ -	\$ 2,945
Building	130,590	-	-	130,590
Furniture and Fixtures	83,634	-	-	83,634
Machinery and Equipment	393,789	-	-	393,789
Vehicles	103,896	-	-	103,896
<i>Subtotal</i>	714,854	-	-	714,854
Accumulated Depreciation	(546,938)	(26,651)	-	(573,589)
<i>Net Capital Assets</i>	\$ 167,916	\$ (26,651)	\$ -	\$ 141,265

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. Depreciable lives used for the building is forty years and for vehicles, machinery and equipment is five or ten years.

D. Federal Taxes - The entity has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3). The entity's Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they are filed.

E. Lease Agreements- Seneca Re-Ad Industries, Inc. has a lease agreement with the Seneca County Board of Developmental Disabilities. The Seneca County Board of Developmental Disabilities is to provide the workshop with a facility, staff and other expenses at the Seneca County Opportunity Center for \$1 per year. In return, the workshop is to provide the equipment and operating expenses. The lease agreement is renewed annually and can be renewed at the end of each three-year term for another three-year term.

SENECA COUNTY, OHIO

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

- F. Board of DD In-Kind Contributions** - Roppe Rubber has entered into an agreement with the Seneca County Commissioners. Roppe Rubber is providing building space to carry on workshop activities including maintenance, insurance, and taxes. As long as the workshop performs work and assembles parts and products for Roppe Rubber, no rent will be charged for the use of the building. An in-kind contribution has been added to the financial statement totaling \$69,600 calculated at \$5,800 per month for 21,600 square feet.

The Seneca Board of Developmental Disabilities provides salaries, benefits, workshop space and other costs to Seneca Re-Ad Industries. The value of the in-kind contribution has been determined in accordance with the formula developed by the Ohio Association of Adult Services. In-kind contributions from the Seneca Board of DD amounted to \$824,899.

- G. Accrued Vacation**- A liability for accrued vacation for \$14,198 has been recognized. Vacation is accumulated based on length of service. Employees are eligible for five days paid vacation after one year of employment and ten days paid vacation after five years of employment.
- H. Significant Concentration of Business with Customer** – For fiscal year 2016, Roppe Rubber provided 71% of the revenue and services to Seneca Re-Ad. The volume of business, if canceled, would have a severe impact on the production operations of Seneca Re-Ad. However, management would still carry on mental health programs regardless of services it could lose until new customers were secured. Management is unsure of the risk of Roppe Rubber canceling during the next year or thereafter; however, services have remained about the same during the last three fiscal years.
- I. Prior Period Adjustment** – Seneca Re-Ad determined it must pay adult clients’ break time and committee meeting time. In this regard management went back three calendar years and paid back pay in the amount of \$39,579. This resulted in a prior period adjustment, restating June 30, 2015 Net Position from \$1,299,166 to \$1,259,587.

NOTE 22 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2016 the County participated in the following related party transactions:

<u>Related Party</u>	<u>Purpose</u>	<u>Amount</u>
Soil and Water Conservation District	Flood Plain Administration	\$ 10,000
Seneca County Regional Planning Commission	Assessment	<u>56,903</u>
Total		<u>\$ 66,903</u>

NOTE 23 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds.

Constraints placed on fund balances for the governmental funds are presented below:

SENECA COUNTY, OHIO

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

Fund balance	General	Maintenance and Repair	Public Assistance	Seneca County Opportunity Center	Building	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Materials and supplies inventory	\$ 57,896	\$ 411,201	\$ -	\$ 9,765	\$ -	\$ 2,381	\$ 481,243
Prepayments	195,470	12,877	26,812	63,265	2,559	29,344	330,327
Unclaimed monies	176,097	-	-	-	-	-	176,097
Long-term loans	9,130	-	-	-	-	-	9,130
Total nonspendable	438,593	424,078	26,812	73,030	2,559	31,725	996,797
Restricted:							
Capital projects	-	-	-	-	12,852,760	38,189	12,890,949
Grants and specific programs	-	-	234,482	-	-	3,112,549	3,347,031
SCOC programs	-	-	-	6,299,712	-	-	6,299,712
Human services programs	-	-	-	-	-	1,854,481	1,854,481
Roads and bridges	-	14,582,824	-	-	-	-	14,582,824
Community and economic development	-	-	-	-	-	262,891	262,891
Public safety	-	-	-	-	-	555	555
Total restricted	-	14,582,824	234,482	6,299,712	12,852,760	5,268,665	39,238,443
Committed:							
Underground storage tank	11,855	-	-	-	-	-	11,855
Assigned:							
Debt service	-	-	-	-	-	728,831	728,831
Capital projects	-	-	-	-	-	616,534	616,534
Grants and specific programs	1,496	-	-	-	-	-	1,496
General government	1,391,709	-	-	-	-	-	1,391,709
Public safety	67,572	-	-	-	-	-	67,572
Health	17,834	-	-	-	-	-	17,834
Human services	134,788	-	-	-	-	-	134,788
Employee benefits	262,784	-	-	-	-	-	262,784
Public works	661	-	-	-	-	-	661
Subsequent year appropriations	2,383,419	-	-	-	-	-	2,383,419
Total assigned	4,260,263	-	-	-	-	1,345,365	5,605,628
Unassigned (deficit)	2,222,602	-	-	-	-	(451,418)	1,771,184
Total fund balances	\$ 6,933,313	\$ 15,006,902	\$ 261,294	\$ 6,372,742	\$ 12,855,319	\$ 6,194,337	\$ 47,623,907

NOTE 24 - OTHER COMMITMENTS

The County utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the County's commitments for encumbrances in the governmental funds were as follows:

SENECA COUNTY, OHIO

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

Fund	Encumbrances
General fund	\$ 650,616
Maintenance and Repair fund	322,403
Public Assistance fund	298,842
Seneca County Opportunity Center	588,968
Joint Justice Center Construction	1,316,845
Nonmajor governmental funds	605,478
Total	<u>\$ 3,783,152</u>

NOTE 25 – TAX ABATEMENTS

As of December 31, 2016, the County provides tax abatements through two programs—Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The County has entered into Economic Zone (EZ) tax abatement agreements for the abatement of real property taxes with the City of Tiffin and the City of Fostoria. The total value of the County's share of taxes abated from EZ and CRA programs in 2016 was \$569 and \$13,939, respectively.

SENECA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.129323%	0.127219%	0.127219%
County's proportionate share of the net pension liability	\$ 21,469,046	\$ 14,684,663	\$ 14,352,986
County's covered-employee payroll	\$ 14,434,208	\$ 15,229,083	\$ 16,090,392
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.74%	96.43%	89.20%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.110370%	0.116450%	0.110645%
County's proportionate share of the net pension asset	\$ 51,463	\$ 40,770	\$ 11,111
County's covered-employee payroll	\$ 389,575	\$ 404,450	\$ 346,754
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	13.21%	10.08%	3.20%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.071569%	n/a	n/a
County's proportionate share of the net pension asset	\$ 274	n/a	n/a
County's covered-employee payroll	\$ 394,092	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

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

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

SENECA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.00460020%	0.00488843%	0.00471146%
County's proportionate share of the net pension liability	\$ 1,539,826	\$ 1,351,019	\$ 1,145,990
County's covered-employee payroll	\$ 564,600	\$ 553,757	\$ 555,685
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	272.73%	243.97%	206.23%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SENECA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,958,600	\$ 1,732,105	\$ 1,827,490	\$ 2,091,751
Contributions in relation to the contractually required contribution	<u>(1,958,600)</u>	<u>(1,732,105)</u>	<u>(1,827,490)</u>	<u>(2,091,751)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 16,321,667	\$ 14,434,208	\$ 15,229,083	\$ 16,090,392
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 51,922	\$ 46,749	\$ 48,534	\$ 45,078
Contributions in relation to the contractually required contribution	<u>(51,922)</u>	<u>(46,749)</u>	<u>(48,534)</u>	<u>(45,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 432,683	\$ 389,575	\$ 404,450	\$ 346,754
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 32,196	\$ 47,291		
Contributions in relation to the contractually required contribution	<u>(32,196)</u>	<u>(47,291)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
County's covered-employee payroll	\$ 268,300	\$ 394,092		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

Note: Information prior to 2010 not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,624,062	\$ 1,683,932	\$ 1,571,134
<u>(1,624,062)</u>	<u>(1,683,932)</u>	<u>(1,571,134)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 16,240,620	\$ 16,839,320	\$ 17,620,194
10.00%	10.00%	8.92%
\$ 22,098	\$ 20,450	\$ 25,508
<u>(22,098)</u>	<u>(20,450)</u>	<u>(25,508)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 277,962	\$ 257,233	\$ 263,331
7.95%	7.95%	9.69%

SENECA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 79,044	\$ 77,526	\$ 72,239	\$ 67,434
Contributions in relation to the contractually required contribution	<u>(79,044)</u>	<u>(77,526)</u>	<u>(72,239)</u>	<u>(67,434)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 564,600	\$ 553,757	\$ 555,685	\$ 518,723
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 66,845	\$ 74,025	\$ 72,698	\$ 76,686	\$ 81,975	\$ 80,217
<u>(66,845)</u>	<u>(74,025)</u>	<u>(72,698)</u>	<u>(76,686)</u>	<u>(81,975)</u>	<u>(80,217)</u>
<u>\$ -</u>					
\$ 514,192	\$ 569,423	\$ 559,215	\$ 589,892	\$ 630,577	\$ 617,054
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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SENECA COUNTY, OHIO

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

SENECA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Job and Family Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1617		\$ 285,984
Passed Through Ohio Department of Education				
Child Nutrition Cluster				
National School Lunch Program				
NonCash Assistance (Food Distribution)	10.555	IRN066241		10,813
Cash Assistance	10.555	IRN066241		484
NonCash Assistance (Food Distribution)	10.555	IRN093286		17,930
Cash Assistance	10.555	IRN093286		510
Total CFDA #10.555				<u>29,737</u>
School Breakfast Program	10.553	IRN093286		<u>9,750</u>
Total Child Nutrition Cluster				<u>39,487</u>
Total U.S. Department of Agriculture				<u>325,471</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Development Services Agency				
Community Development Block Grants State's Program				
Small Cities Program	14.228	B-F-13-1CQ-1		4,525
Small Cities Program	14.228	B-F-14-1CQ-1		93,043
Small Cities Program	14.228	B-F-15-1CQ-1		88,600
Small Cities Program-CHIP	14.228	B-C-14-1CQ-1		193,629
Total CFDA #14.228				<u>379,797</u>
HOME Investment Partnerships Program	14.239	B-C-14-1CQ-2		<u>560,864</u>
Total U.S. Department of Housing and Urban Development				<u>940,661</u>
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Ohio Attorney General				
Crime Victim Assistance	16.575	2016-VOCA-20342992		154,330
Crime Victim Assistance	16.575	2016-SVAA-19815085		4,354
Crime Victim Assistance	16.575	2017-VOCA-43555681		48,238
Crime Victim Assistance	16.575	2017-SVAA-43555686		1,570
Total U.S. Department of Justice				<u>208,492</u>
U.S. DEPARTMENT OF LABOR				
Passed Through Montgomery County Workforce Investment Act (WIA) Area 7				
WIA Cluster				
WIA-Adult Programs	17.258	N/A		130,575
WIA-Youth Activities	17.259	34-0979430	\$ 127,120	139,607
WIA-Dislocated Worker Formula Grants	17.278	N/A		116,313
Total WIA Cluster			<u>127,120</u>	<u>386,495</u>
Employment Services Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	N/A		<u>11,973</u>
Total U.S. Department of Labor			<u>127,120</u>	<u>398,468</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Direct				
Airport Improvement Program	20.106	3-39-0076-1012		2,487
Airport Improvement Program	20.106	3-39-0076-011-2015		8,338
Total CFDA # 20.106				<u>10,825</u>
Passed Through Ohio Department of Transportation				
Highway Planning and Construction	20.205	98142		6,043
Highway Planning and Construction	20.205	99236		183,295
Highway Planning and Construction	20.205	99231		62,953
Highway Planning and Construction	20.205	103541		75,000
Highway Planning and Construction	20.205	100416		38,358
Total CFDA # 20.205				<u>365,649</u>
Passed Through Ohio Department of Public Safety				
State and Community Highway Safety	20.600	STEP-2016-74-00-00-00553-00		7,681
State and Community Highway Safety	20.600	STEP-2017-74-00-00-00553-00		2,831
Total CFDA # 20.600				<u>10,512</u>
National Priority Safety Programs	20.616	IDEP-2016-74-00-00-00552-00		9,188
National Priority Safety Programs	20.616	IDEP-2017-74-00-00-00419-00		2,411
Total CFDA # 20.616				<u>11,599</u>
Total U.S. Department of Transportation				<u>398,585</u>

(Continued)

SENECA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5578		25,589
Temporary Assistance for Needy Families	93.558	G-1617-11-5578	65,120	1,549,183
Child Support Enforcement	93.563	G-1617-11-5578		791,596
Child Care and Development Block Grant	93.575	G-1617-11-5578		75,717
Grants to States for Access and Visitation Programs	93.597	G-1617-11-5578		131,839
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5578		42,254
Foster Care Title IV-E	93.658	G-1617-11-5578		13,508
Adoption Assistance	93.659	G-1617-11-5578		98,601
<i>Passed Through Ohio Department of Job and Family Services</i>				
Social Services Block Grant	93.667	G-1617-11-5578		664,223
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	FY 2016		36,360
Total CFDA # 93.667				700,583
<i>Passed Through Ohio Department of Job and Family Services</i>				
Medical Assistance Program	93.778	G-1617-11-5578		383,827
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Medical Assistance Program	93.778	FY 2016		241,954
Total CFDA # 93.778				625,781
Total U.S. Department of Health and Human Services			65,120	4,054,651
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Emergency Management Agency</i>				
Hazard Mitigation Program Grant	97.039	FEMA-DR-4002-OH		5,000
Emergency Management Performance Grant	97.042	EMW-2015-EP-00034-S01		23,437
Emergency Management Performance Grant	97.042	EMC-2016-EP-00003-S01		40,757
Total CFDA # 97.042				64,194
Total U.S. Department of Homeland Security				69,194
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Grants to States	84.027	N/A		32,712
Total U.S. Department of Education				32,712
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 192,240	\$ 6,428,234

The accompanying notes are an integral part of this schedule

SENECA COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Seneca County, Ohio (the County's) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from Workforce Investment Act, Area 7 and the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As Note B 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 that subrecipients achieve the award's performance goals.

NOTE D - 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 E – FOOD DONATION PROGRAM

The County reports commodities consumed on the Schedule at the entitlement value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS WITH REVOLVING LOAN CASH BALANCE

The current cash balance on the County's CDBG local program income account as of December 31, 2016 is \$126,888.

The current cash balance on the County's HOME local program income account as of December 31, 2016 is \$83,514.

SENECA COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

NOTE G - 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 H - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2016, the County made allowable transfers of \$397,617 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,549,183 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2016 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,946,800
Transfer to Social Services Block Grant	(397,617)
Total Temporary Assistance for Needy Families	\$ 1,549,183

NOTE I – PRIOR FEDERAL SCHEDULE

The following errors were noted on the 2015 Federal Schedule:

- Medical Assistance Program passed through Ohio Department of Developmental Disabilities (93.778) of \$208,396 was inadvertently included as the Medical Assistance Program passed through Ohio Department of Job and Family Services (93.778). And the Medical Assistance Program passed through Ohio Department of Job and Family Services (93.778) of \$303,938 was inadvertently included as the Medical Assistance Program passed through Ohio Department of Developmental Disabilities (93.778).
- Airport Improvement Program (20.106) 2015 expenditures of \$259,573 were inadvertently omitted from the 2015 Federal Schedule.
- Community Development Block Grants State’s Program passed through Ohio Department of Development (14.228) grant numbers B-C-13-1CQ-1 and B-C-14-1CQ-1 expenditures of \$140,846 and \$61,371, respectively, were inadvertently omitted from the 2015 Federal Schedule.
- Home Investment Partnership Program passed through Ohio Department of Development (14.239) grant number B-C-13-1CQ expenditures were overstated by \$61,371; these were CDBG (14.228) grant monies. This would not have had an effect on our testing for this major program.

From the above, the omitted expenditures (Airport Grant of \$259,573 and CDBG CHIP of \$140,846) total \$400,419 or 5.52% of the total 2015 Federal Expenditures of \$7,259,665. Medicaid amounts were transposed and CDBG CHIP amount of \$61,371 was put under HOME CHIP which was a major program. These errors would not have a material effect on the assessment of our testing for major programs or our testing of the major programs.

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Dave Yost • Auditor of State

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

Seneca County
109 South Washington Street #2206
Tiffin, Ohio 44883-2841

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Seneca County, Ohio (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 18, 2017, wherein we noted the County restated the beginning balance of net position to properly report accounts payable in the prior year. Our report refers to other auditors. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits from the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Seneca Re-Ad Industries, Inc., the discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of Seneca Re-Ad Industries, Inc., the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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.



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017



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 THE UNIFORM GUIDANCE

Seneca County
109 South Washington Street #2206
Tiffin, Ohio 44883-2841

To the Board of County Commissioners:

Report on Compliance for Each of the Major Federal Programs

We have audited Seneca County, Ohio's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, the 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, 2016.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2017

SENECA COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families CFDA #93.558 Child Support Enforcement CFDA #93.563 Medical Assistance Program CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

SENECA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 2 CFR 200.511(b)
 DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness over financial reporting.	Partially corrected. Repeated in the management letter.	<p>The County will continue to work with our GAAP conversion team to report our receivables at actual amounts and not estimates. During the 2016 audit we had a new person from our GAAP team working on our financials. We have communicated to our GAAP vendor that this unacceptable and that this cannot continue to occur.</p> <p>By having the same GAAP team work on our GAAP conversion next year this should not be a problem as they will be aware of prior issues.</p>
2015-002	Noncompliance and material weakness over 24 CFR Part 92.502(c)(2) for not expending HOME grant drawdowns within 15 days and balance exceeded \$5,000.	Fully Corrected.	



Dave Yost • Auditor of State

SENECA 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 28, 2017