



Dave Yost • Auditor of State

SENECA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Seneca County
111 Madison Street
Tiffin, Ohio 44883-2824

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, 2015, 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 such 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, 2015, 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 basic financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 information to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the 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 information 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 26, 2016, 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2016

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SENECA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 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, 2015. 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 2015 are as follows:

- The total net position of the County increased \$2,811,248 from December 31, 2014 (as restated – See Note 3.A). The net position of the governmental activities increased \$2,762,661, which represents a 2.98 percent increase over the net position at December 31, 2014 (as restated – see Note 3.A); meanwhile, the net position of business-type activities increased \$48,587 or 1.19 percent from December 31, 2014 (as restated – see Note 3.A). The County's business-type activities consist of Emergency Medical Services and the County Sewer District operations.
- General revenues accounted for \$17,768,909 or 42.81 percent of total governmental activities revenue. Program specific revenues accounted for \$23,732,850 or 57.19 percent of total governmental activities revenue.
- The County's governmental activities had \$38,376,399 in expenses; \$23,732,850 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,768,909 were adequate to provide for these programs.
- The County's business-type activities had \$1,263,161 in expenses; \$938,291 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,758 and transfers of \$362,699 were adequate to provide for these programs.
- The General fund, the County's largest major governmental fund, had revenues and other financing sources of \$16,883,309 in 2015, a decrease of \$25,268 or 0.15 percent from general fund revenues and other financing sources in 2014. The General fund had expenditures and other financing uses of \$16,131,219 in 2015, an increase of \$70,106 or 0.44 percent from 2014. The net effect of changes in revenues and expenditures contributed to the General fund balance increase of \$752,090 or 12.07 percent from 2014 to 2015.

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 four 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, 2015 UNAUDITED

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 2015?" 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, and the Seneca County Opportunity Center (SCOC) 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.

SENECA COUNTY, OHIO

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

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

The 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.

SENECA COUNTY, OHIO

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

Government-Wide Financial Analysis

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

The County has restated certain balances for 2014 to reflect the implementation of GASB Statements 68 and 71 (see Note 3.A). The table below provides a summary of the County's net position at December 31, 2015 and December 31, 2014.

	Net Position					
	Governmental Activities 2015	Restated Governmental Activities 2014	Business-type Activities 2015	Restated Business-type Activities 2014	Total 2015	Restated Total 2014
<u>Assets</u>						
Current and other assets	\$ 51,241,874	\$ 46,970,337	\$ 1,589,291	\$ 1,209,755	\$ 52,831,165	\$ 48,180,092
Capital assets	72,043,563	71,757,905	6,004,390	6,229,565	78,047,953	77,987,470
Total assets	<u>123,285,437</u>	<u>118,728,242</u>	<u>7,593,681</u>	<u>7,439,320</u>	<u>130,879,118</u>	<u>126,167,562</u>
<u>Deferred Outflows of Resources</u>	<u>2,707,504</u>	<u>1,899,299</u>	<u>33,079</u>	<u>23,972</u>	<u>2,740,583</u>	<u>1,923,271</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	19,684,735	19,662,863	3,245,477	3,285,665	22,930,212	22,948,528
Other liabilities	2,112,866	2,558,462	260,489	108,876	2,373,355	2,667,338
Total liabilities	<u>21,797,601</u>	<u>22,221,325</u>	<u>3,505,966</u>	<u>3,394,541</u>	<u>25,303,567</u>	<u>25,615,866</u>
<u>Deferred Inflows of Resources</u>	<u>8,663,046</u>	<u>5,636,583</u>	<u>3,456</u>	<u>-</u>	<u>8,666,502</u>	<u>5,636,583</u>
<u>Net Position</u>						
Net investment in capital assets	69,861,569	69,100,856	2,966,234	3,140,725	72,827,803	72,241,581
Restricted	25,483,412	19,291,789	174,641	232,662	25,658,053	19,524,451
Unrestricted	187,313	4,376,988	976,463	695,364	1,163,776	5,072,352
Total net position	<u>\$ 95,532,294</u>	<u>\$ 92,769,633</u>	<u>\$ 4,117,338</u>	<u>\$ 4,068,751</u>	<u>\$ 99,649,632</u>	<u>\$ 96,838,384</u>

During 2015, the 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.

SENECA COUNTY, OHIO

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

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

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.

As a result of implementing GASB 68, the County is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$106,386,955 to \$92,769,633 and business-type activities from \$4,228,036 to \$4,068,751.

Over time, net position can serve as a useful indicator of a government's financial condition. At December 31, 2015, the County's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$99,649,632. This amounts to \$95,532,294 in the governmental activities and \$4,117,338 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 59.68 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 \$72,827,803 at December 31, 2015. 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.

SENECA COUNTY, OHIO

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

As of December 31, 2015, 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, \$25,483,412 or 26.68 percent in the governmental activities and \$174,641 or 4.36 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 \$187,313 in the governmental activities and \$866,416 in the business-type activities, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental net position increased by \$2,762,661 during 2015 from balances at December 31, 2014.

General government expenses, which include legislative and executive and judicial programs, accounted for \$9,053,435 or 23.59 percent of total governmental expenses. General government expenses were covered by direct charges to users, operating grants and contributions, and capital grants and contributions of \$3,024,747, \$258,638, and \$204, respectively, in 2015. The County's largest program in 2015 was health, accounting for 22.75 percent of total governmental expenses. Health activities are provided mainly by the SCOC. 36.00 percent of these expenses were funded by \$2,365,995 in operating grants and contributions and \$777,071 in charges for health services in 2015. Human services programs support the operations of Public Assistance, Victim Assistance, Veteran Services, and the Children Services Board. Human services expenses accounted for \$6,847,003 or 17.84 percent of total governmental activities expenses. These expenses were funded by \$239,749 in charges to users of services and \$5,664,148 in operating grants and contributions in 2015. Public works expenses accounted for 16.49 percent of expenses and were offset by direct charges to users, operating grants and contributions, and capital grants and contributions of \$549,354, \$4,277,760, and \$3,718,163, respectively. Public safety activities include the operations of the County sheriff, coroner, community corrections, homeland security, emergency management, and the Seneca County Youth Center. 23.43 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 11.61 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 \$6,130,334 or 14.77 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 \$13,884,149 in operating grants and contributions and \$3,718,367 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 \$17,768,909, and amounted to 42.81 percent of total revenues. These revenues primarily consist of property and sales tax revenue of \$14,396,817, or 81.02 percent of total general revenues in 2015. The other primary source of general revenues is unrestricted grants and entitlements of \$2,426,029.

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 2015.

Charges for services in the business-type activities increased from 2014 due to higher charges to customers, higher tap-in fees earned for connections to the County sewer system, which can vary based on the needs of sewer customers, and higher billings for EMS services. The operations of the Bascom Sewer District were fully consolidated into the operations of the County Sewer District for 2015.

SENECA COUNTY, OHIO

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

The table below shows the changes in net position for fiscal year 2015 and 2014. The net position at December 31, 2015 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Revenues						
Program revenues:						
Charges for services and sales	\$ 6,130,334	\$ 8,174,833	\$ 930,291	\$ 785,764	\$ 7,060,625	\$ 8,960,597
Operating grants and contributions	13,884,149	14,107,382	8,000	55,500	13,892,149	14,162,882
Capital grants and contributions	3,718,367	1,043,578	-	-	3,718,367	1,043,578
Total program revenues	23,732,850	23,325,793	938,291	841,264	24,671,141	24,167,057
General revenues:						
Property taxes	5,602,700	5,075,656	-	-	5,602,700	5,075,656
Sales tax	8,794,117	8,401,238	-	-	8,794,117	8,401,238
Unrestricted grants	2,426,029	2,379,958	-	-	2,426,029	2,379,958
Contributions and donations	6,830	3,020	-	-	6,830	3,020
Investment earnings	204,282	14,283	-	957	204,282	15,240
Other	734,951	1,087,638	10,758	23,152	745,709	1,110,790
Total general revenues	17,768,909	16,961,793	10,758	24,109	17,779,667	16,985,902
Total revenues	41,501,759	40,287,586	949,049	865,373	42,450,808	41,152,959
Expenses						
Program expenses:						
General government						
Legislative and executive	6,577,332	6,362,107	-	-	6,577,332	6,362,107
Judicial	2,476,103	2,411,854	-	-	2,476,103	2,411,854
Public safety	6,571,245	6,695,159	-	-	6,571,245	6,695,159
Public works	6,328,949	6,523,903	-	-	6,328,949	6,523,903
Health	8,730,842	9,401,062	-	-	8,730,842	9,401,062
Human services	6,847,003	7,477,486	-	-	6,847,003	7,477,486
Conservation and recreation	164,791	136,448	-	-	164,791	136,448
Community and economic development	586,964	620,501	-	-	586,964	620,501
Interest and fiscal charges	93,170	110,643	-	-	93,170	110,643
Emergency Medical Services	-	-	647,378	460,675	647,378	460,675
County Sewer District	-	-	615,783	582,520	615,783	582,520
Total expenses	38,376,399	39,739,163	1,263,161	1,043,195	39,639,560	40,782,358
Excess of revenues over expenses	3,125,360	548,423	(314,112)	(177,822)	2,811,248	370,601
Transfers	(362,699)	(194,576)	362,699	194,576	-	-
Change in net position	2,762,661	353,847	48,587	16,754	2,811,248	370,601
Net position at beginning of year (restated)	92,769,633	N/A	4,068,751	N/A	96,838,384	N/A
Net position at end of year	\$ 95,532,294	\$ 92,769,633	\$ 4,117,338	\$ 4,068,751	\$ 99,649,632	\$ 96,838,384

SENECA COUNTY, OHIO

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

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,923,271 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,820,792.

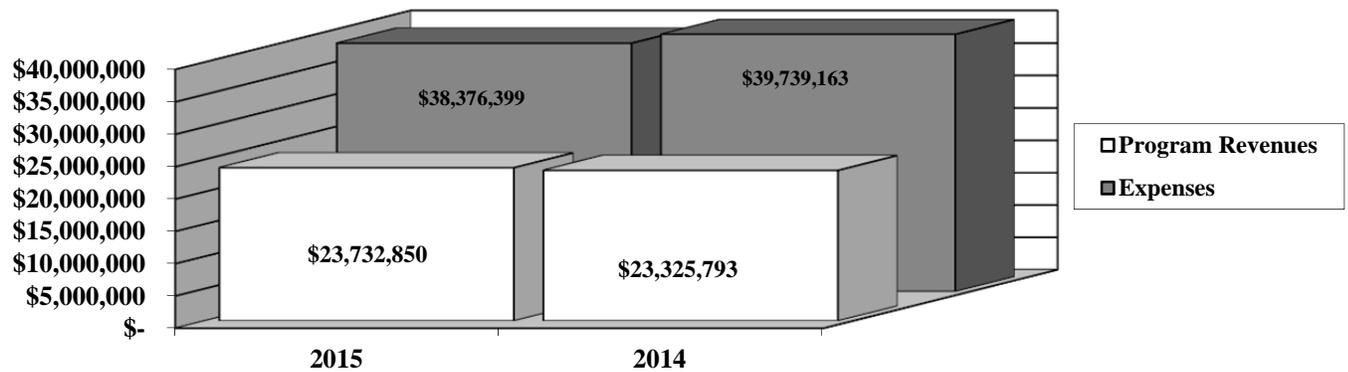
Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 38,376,399	\$ 1,263,161	\$ 39,639,560
Pension expense under GASB 68	(1,799,855)	(20,937)	(1,820,792)
2015 contractually required contributions	1,793,746	22,730	1,816,476
Adjusted 2015 program expenses	38,370,290	1,264,954	39,635,244
Total 2014 program expenses under GASB 27	39,739,163	1,043,195	40,782,358
Increase (decrease) in program expenses not related to pension	\$ (1,368,873)	\$ 221,759	\$ (1,147,114)

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 services for 2015 and 2014. 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



SENECA COUNTY, OHIO

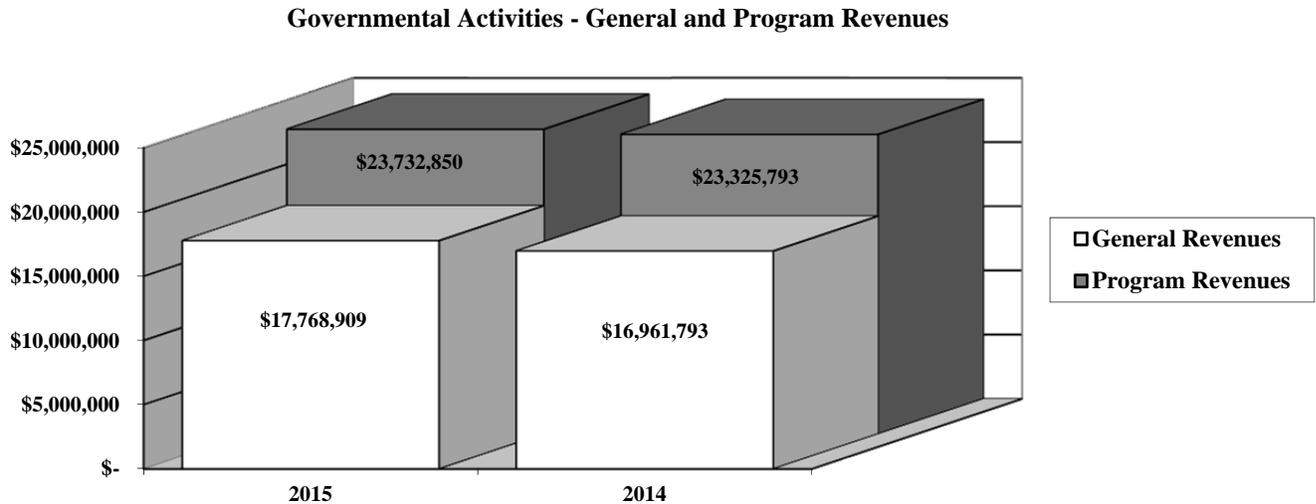
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

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 2015 and 2014.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program Expenses:				
General government				
Legislative and executive	\$ 6,577,332	\$ 4,781,345	\$ 6,362,107	\$ 4,451,747
Judicial	2,476,103	988,501	2,411,854	967,013
Public safety	6,571,245	4,268,838	6,695,159	3,772,478
Public works	6,328,949	(2,216,328)	6,523,903	329,875
Health	8,730,842	5,587,776	9,401,062	4,941,956
Human services	6,847,003	943,106	7,477,486	1,395,626
Conservation and recreation	164,791	164,791	136,448	136,448
Community and economic development	586,964	32,350	620,501	307,584
Interest and fiscal charges	<u>93,170</u>	<u>93,170</u>	<u>110,643</u>	<u>110,643</u>
Total	<u>\$ 38,376,399</u>	<u>\$ 14,643,549</u>	<u>\$ 39,739,163</u>	<u>\$ 16,413,370</u>

Charges for services, operating grants and contributions, and capital grants and contributions totaling \$23,732,850 were used to offset the general government expenses of the County. The remaining \$14,643,549 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 38.16 percent of expenses supported through taxes and other general revenues during 2015.

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



SENECA COUNTY, OHIO

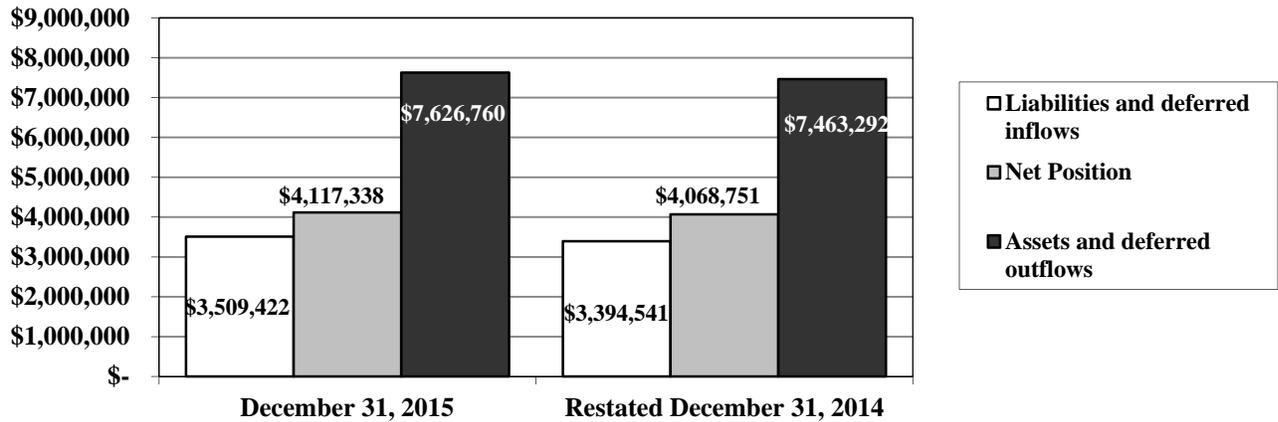
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Business-Type Activities

The Emergency Medical Services and County Sewer District are the County's enterprise funds. These operations had program revenues of \$930,291, general revenues of \$10,758, transfers in of \$362,699 and expenses of \$1,263,161 for fiscal year 2015. The net position of the business-type activities increased \$48,587 during 2015.

The following graph illustrates the assets, liabilities, and net position of the County's business-type activities at December 31, 2015 and December 31, 2014.

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.

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 \$32,217,439 at December 31, 2015, which is \$1,673,374 higher than last year's total of \$30,544,065.

SENECA COUNTY, OHIO

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

The schedule below indicates the fund balances as of December 31, 2015 and December 31, 2014 and the total change in fund balance during the year for all major governmental funds and the non-major governmental funds in the aggregate.

	<u>Fund Balances</u> <u>December 31, 2015</u>	<u>Fund Balances</u> <u>December 31, 2014</u>	<u>Change</u>
Major funds:			
General	\$ 6,983,728	\$ 6,231,638	\$ 752,090
Maintenance and Repair	14,461,704	12,148,429	2,313,275
Public Assistance	141,213	341,185	(199,972)
Seneca County Opportunity Center	4,026,214	5,464,190	(1,437,976)
Nonmajor governmental funds	<u>6,604,580</u>	<u>6,358,623</u>	<u>245,957</u>
Total	<u>\$ 32,217,439</u>	<u>\$ 30,544,065</u>	<u>\$ 1,673,374</u>

General Fund

The General fund is the primary operating fund of the County. During 2015, the County's General fund balance increased \$752,090.

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

<u>Revenues</u>	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Taxes	\$ 10,719,879	\$ 9,989,586	7.31 %
Charges for services	3,274,619	3,996,572	(18.06) %
Licenses and permits	3,055	3,156	(3.20) %
Fines and forfeitures	235,264	193,003	21.90 %
Intergovernmental	1,955,202	1,968,174	(0.66) %
Interest	153,935	17,611	774.08 %
Other	<u>523,565</u>	<u>733,211</u>	(28.59) %
Total	<u>\$ 16,865,519</u>	<u>\$ 16,901,313</u>	(0.21) %

Tax revenue, consisting of property and sales taxes, represents 63.56 percent of all General fund revenue. Tax revenue increased 7.31 percent from the prior year primarily due to higher sales taxes earned during 2015 as the local economy continues to strengthen. Charges for services decreased 18.06% from the prior year due to lower jail housing fees and the general fund's portion of EMS charges. Intergovernmental revenues decreased during the year due to a decrease in capital grant revenues from airport grants and a decrease in casino revenue. Other revenues of the general fund decreased from the prior year due to decreases in vending receipts in 2015.

SENECA COUNTY, OHIO

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

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

<u>Expenditures</u>	2015 Amount	2014 Amount	Percentage Change
General government:			
Legislative and executive	\$ 5,821,400	\$ 5,495,886	5.92 %
Judicial	2,118,284	2,142,975	(1.15) %
Public safety	5,780,630	5,837,324	(0.97) %
Public works	23,404	37,683	(37.89) %
Health	96,238	323,018	(70.21) %
Human services	308,323	296,170	4.10 %
Conservation and recreation	140,942	112,600	25.17 %
Capital outlay	14,276	-	100.00 %
Debt service	4,767	8,162	(41.60) %
Total	<u>\$ 14,308,264</u>	<u>\$ 14,253,818</u>	0.38 %

Total expenditures increased \$54,446 or 0.38 percent. General government expenditures increased 3.94 percent due to higher costs incurred for insurance and contingencies, purchased services for the County airport operations, and costs of the municipal, common pleas, probate, and juvenile courts. Health expenditures of the general fund decreased 70.21 percent; lower health expenditures were incurred in 2015 due to purchases of equipment and contract services in 2014. Public safety expenditures decreased by \$56,694 as a result of lower sheriff salaries and contract services.

Maintenance and Repair Fund

The Maintenance and Repair fund, a major governmental fund, had revenues of \$5,019,837 in 2015, an increase of \$416,859 from 2014 revenues and other financing sources. The Maintenance and Repair fund had expenditures and other financing uses of \$2,706,562 in 2015, a decrease of \$2,308,024 from 2014. The Maintenance and Repair fund incurred lower expenditures for street projects during the year. The fund balance of the Maintenance and Repair fund increased \$2,313,275 or 19.04 percent from 2014 to 2015.

Public Assistance Fund

The Public Assistance fund, a major governmental fund, had revenues and other financing sources of \$3,969,986 in 2015 compared to \$4,558,209 in 2014. The Public Assistance fund had expenditures of \$4,169,958 in 2015, a decrease of \$488,131 from 2014. The Public Assistance fund revenues and other financing sources decreased from the prior year due primarily to a decrease in child support intergovernmental grants. The Public Assistance fund incurred lower expenditures for salaries and contract services during the year. The fund balance of the Public Assistance fund decreased \$199,972 or 58.61 percent from 2014 to 2015.

Seneca County Opportunity Center (SCOC) Fund

The SCOC fund, a major governmental fund, had revenues of \$7,178,032 in 2015, a decrease of \$1,529,170 or 17.56 percent from 2014 revenues. The SCOC fund had expenditures of \$8,616,008 in 2015, a decrease of \$120,798 or 1.38 percent from 2014. Decreased revenues in the SCOC fund contributed to a decrease of \$1,437,976 or 26.32 percent in the fund balance of the SCOC fund from 2014 to 2015.

SENECA COUNTY, OHIO

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

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 \$16,006,222 were \$130,626 higher than original budgeted revenues of \$15,875,596. Actual revenues and other financing sources of \$16,428,916 were higher than final budgeted revenues by \$422,694 or 2.64 percent.

General fund final budgeted expenditures and other financing uses of \$18,058,584 were \$1,030,874 higher than original budgeted expenditures and other financing uses of \$17,027,710. Actual expenditures and financing uses of \$17,343,457 were \$715,127 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 2015, the County had \$78,047,953 (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, \$72,043,563 was reported in the governmental activities and \$6,004,390 was reported in the business-type activities.

The following table shows December 31, 2015 balances compared to December 31, 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 21,101,014	\$ 20,829,776	\$ 26,243	\$ 26,243	\$ 21,127,257	\$ 20,856,019
Construction in progress	693,058	672,077	-	-	693,058	672,077
Land improvements	354,071	333,860	-	-	354,071	333,860
Building and improvements	13,904,414	14,368,644	74,456	81,144	13,978,870	14,449,788
Machinery and equipment	1,713,880	1,993,536	172,003	221,280	1,885,883	2,214,816
Infrastructure	34,277,126	33,560,012	5,731,688	5,900,898	40,008,814	39,460,910
Total	\$ 72,043,563	\$ 71,757,905	\$ 6,004,390	\$ 6,229,565	\$ 78,047,953	\$ 77,987,470

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, 2015 UNAUDITED

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 47.58 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 95.46 percent of the County's total business-type capital assets.

Debt Administration

At December 31, 2015 the County had \$2,165,000 in general obligation bonds, \$16,994 in capital lease obligations, \$39,858 in OWDA loans, \$6,504 in OPWC loans payable, and \$3,031,652 in sewer district improvement revenue bonds outstanding. Of this total, \$547,487 is due within one year and \$4,712,521 is due in more than one year.

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

	Outstanding Debt, at Year End			
	Governmental Activities 2015	Business-Type Activities 2015	Governmental Activities 2014	Business-Type Activities 2014
Long-Term Obligations				
General obligation bonds	\$ 2,165,000	\$ -	\$ 2,650,000	\$ -
Capital lease obligation	16,994	-	7,049	-
OWDA loan	39,858	-	45,172	-
OPWC loan	-	6,504	-	7,188
Sewer improvement bonds	-	3,031,652	-	3,081,652
Total	<u>\$ 2,221,852</u>	<u>\$ 3,038,156</u>	<u>\$ 2,702,221</u>	<u>\$ 3,088,840</u>

At December 31, 2015 the County's voted legal debt margin was \$26,082,368 and the County's unvoted legal debt margin was \$10,244,567. 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, 2014 per the U.S. Census Bureau is 56,088. The County's average annual unemployment rate during 2015 was 4.78 percent compared to a 4.88 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 \$1.095 billion assessed real property tax base has grown approximately 7.9 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.

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Seneca Re-Ad Industries, Inc.
Assets:				
Equity in pooled cash and investments.	\$ 30,164,763	\$ 1,268,552	\$ 31,433,315	\$ -
Cash and cash equivalents in segregated accounts.	174,734	-	174,734	1,080,107
Cash and cash equivalents with fiscal agent	-	-	-	988
Receivables:				
Sales taxes.	2,298,198	-	2,298,198	-
Property taxes	8,708,846	-	8,708,846	-
Accounts.	426,179	320,690	746,869	97,710
Accrued interest	32,077	-	32,077	-
Intergovernmental	3,781,191	-	3,781,191	-
Loans.	35,591	-	35,591	-
Materials and supplies inventory.	536,871	-	536,871	-
Prepayments	215,574	133	215,707	950
Net pension asset	40,249	521	40,770	-
Internal balance	605	(605)	-	-
Investment in joint ventures	4,826,996	-	4,826,996	-
Capital assets:				
Non-depreciable capital assets.	21,794,072	26,243	21,820,315	2,945
Depreciable capital assets, net.	50,249,491	5,978,147	56,227,638	164,971
Total capital assets, net.	72,043,563	6,004,390	78,047,953	167,916
Total assets	123,285,437	7,593,681	130,879,118	1,347,671
Deferred outflows of resources:				
Pension - OPERS	2,555,772	33,079	2,588,851	-
Pension - STRS	151,732	-	151,732	-
Total deferred outflows of resources	2,707,504	33,079	2,740,583	-
Total assets and deferred outflows of resources	125,992,941	7,626,760	133,619,701	1,347,671
Liabilities:				
Accounts payable.	1,278,359	220,588	1,498,947	4,516
Accrued wages and benefits payable	272,614	3,401	276,015	28,648
Compensated absences payable	1,356	-	1,356	-
Due to other governments	419,822	14,163	433,985	-
Accrued interest payable	6,309	20,843	27,152	-
Unearned revenue	134,406	1,494	135,900	-
Undistributed monies.	-	-	-	15,341
Long-term liabilities:				
Due within one year	894,419	55,523	949,942	-
Due in more than one year:				
Net pension liability	15,848,045	187,637	16,035,682	-
Other amounts	2,942,271	3,002,317	5,944,588	-
Total liabilities	21,797,601	3,505,966	25,303,567	48,505
Deferred inflows of resources:				
Property taxes levied for the subsequent year.	8,139,907	-	8,139,907	-
Pension - OPERS.	266,965	3,456	270,421	-
Pension - STRS.	256,174	-	256,174	-
Total deferred inflows of resources	8,663,046	3,456	8,666,502	-
Net position:				
Net investment in capital assets.	69,861,569	2,966,234	72,827,803	167,916
Restricted for:				
Capital projects	1,463,582	-	1,463,582	-
Grants and specific programs	3,223,085	-	3,223,085	-
Human services programs.	2,010,654	-	2,010,654	-
Community and economic development	283,018	-	283,018	-
SCOC programs.	2,756,481	-	2,756,481	-
Roads and bridges.	15,745,798	-	15,745,798	-
Other purposes.	400	-	400	-
Debt service.	394	174,641	175,035	-
Unrestricted	187,313	976,463	1,163,776	1,131,250
Total net position	\$ 95,532,294	\$ 4,117,338	\$ 99,649,632	\$ 1,299,166

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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SENECA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,577,332	\$ 1,732,824	\$ 62,959	\$ 204
Judicial.	2,476,103	1,291,923	195,679	-
Public safety.	6,571,245	1,539,413	762,994	-
Public works.	6,328,949	549,354	4,277,760	3,718,163
Health.	8,730,842	777,071	2,365,995	-
Human services.	6,847,003	239,749	5,664,148	-
Conservation and recreation.	164,791	-	-	-
Community and economic development.	586,964	-	554,614	-
Interest and fiscal charges.	93,170	-	-	-
Total governmental activities.	<u>38,376,399</u>	<u>6,130,334</u>	<u>13,884,149</u>	<u>3,718,367</u>
Business-type activities:				
Emergency Medical Services.	647,378	425,829	8,000	-
County Sewer District.	615,783	504,462	-	-
Total business-type activities.	<u>1,263,161</u>	<u>930,291</u>	<u>8,000</u>	<u>-</u>
Totals.	<u>\$ 39,639,560</u>	<u>\$ 7,060,625</u>	<u>\$ 13,892,149</u>	<u>\$ 3,718,367</u>
Component Unit:				
Seneca Re-Ad Industries, Inc.	<u>\$ 1,154,440</u>	<u>\$ 493,069</u>	<u>\$ 672,926</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.
\$ (4,781,345)	\$ -	\$ (4,781,345)	\$ -
(988,501)	-	(988,501)	-
(4,268,838)	-	(4,268,838)	-
2,216,328	-	2,216,328	-
(5,587,776)	-	(5,587,776)	-
(943,106)	-	(943,106)	-
(164,791)	-	(164,791)	-
(32,350)	-	(32,350)	-
(93,170)	-	(93,170)	-
<u>(14,643,549)</u>	<u>-</u>	<u>(14,643,549)</u>	<u>-</u>
-	(213,549)	(213,549)	-
-	(111,321)	(111,321)	-
-	(324,870)	(324,870)	-
<u>(14,643,549)</u>	<u>(324,870)</u>	<u>(14,968,419)</u>	<u>-</u>
-	-	-	11,555
1,927,786	-	1,927,786	-
3,674,914	-	3,674,914	-
8,794,117	-	8,794,117	-
2,426,029	-	2,426,029	-
6,830	-	6,830	6,483
204,282	-	204,282	2,025
734,951	10,758	745,709	2,219
<u>17,768,909</u>	<u>10,758</u>	<u>17,779,667</u>	<u>10,727</u>
<u>(362,699)</u>	<u>362,699</u>	<u>-</u>	<u>-</u>
<u>17,406,210</u>	<u>373,457</u>	<u>17,779,667</u>	<u>10,727</u>
2,762,661	48,587	2,811,248	22,282
<u>92,769,633</u>	<u>4,068,751</u>	<u>96,838,384</u>	<u>1,276,884</u>
<u>\$ 95,532,294</u>	<u>\$ 4,117,338</u>	<u>\$ 99,649,632</u>	<u>\$ 1,299,166</u>

SENECA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<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	\$ 5,093,904	\$ 12,848,695	\$ 196,790	\$ 3,182,303
Cash and cash equivalents in segregated accounts	174,734	-	-	-
Receivables:				
Sales taxes	2,298,198	-	-	-
Property taxes	2,078,866	-	-	6,629,980
Accounts	275,008	8,758	-	110,715
Due from other funds	36,164	14,653	29,392	-
Interfund loans	40,130	563,175	-	910,000
Accrued interest	27,434	4,643	-	-
Intergovernmental	870,593	2,064,617	39,254	345,621
Loans	-	-	-	-
Loans to other funds	21,800	-	-	-
Materials and supplies inventory	55,925	467,286	-	9,410
Prepayments	125,559	1,619	3,090	64,477
Total assets	<u>\$ 11,098,315</u>	<u>\$ 15,973,446</u>	<u>\$ 268,526</u>	<u>\$ 11,252,506</u>
Liabilities:				
Accounts payable	\$ 248,983	\$ 81,439	\$ 53,919	\$ 142,629
Accrued wages and benefits payable	111,817	15,333	37,068	89,005
Matured compensated absences payable	-	-	-	1,356
Intergovernmental payable	252,850	16,658	35,837	94,861
Due to other funds	1,026	28	489	5,447
Interfund loans payable	-	-	-	-
Loans from other funds	-	-	-	-
Unearned revenue	10,425	-	-	-
Total liabilities	<u>625,101</u>	<u>113,458</u>	<u>127,313</u>	<u>333,298</u>
Deferred inflows of resources:				
Property taxes levied for the subsequent year	1,941,948	-	-	6,197,959
Delinquent property taxes not available	136,918	-	-	432,021
Accrued interest not available	9,485	2,483	-	-
Intergovernmental revenue not available	545,757	1,395,801	-	263,014
Sales taxes not available	855,378	-	-	-
Total deferred inflows of resources	<u>3,489,486</u>	<u>1,398,284</u>	<u>-</u>	<u>6,892,994</u>
Fund balances:				
Nonspendable	378,018	468,905	3,090	73,887
Restricted	-	13,992,799	138,123	3,952,327
Committed	11,855	-	-	-
Assigned	2,597,807	-	-	-
Unassigned (deficit)	3,996,048	-	-	-
Total fund balances	<u>6,983,728</u>	<u>14,461,704</u>	<u>141,213</u>	<u>4,026,214</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,098,315</u>	<u>\$ 15,973,446</u>	<u>\$ 268,526</u>	<u>\$ 11,252,506</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,843,071	\$ 30,164,763
-	174,734
-	2,298,198
-	8,708,846
31,698	426,179
-	80,209
-	1,513,305
-	32,077
461,106	3,781,191
35,591	35,591
-	21,800
4,250	536,871
20,829	215,574
<u>\$ 9,396,545</u>	<u>\$ 47,989,338</u>
\$ 751,389	\$ 1,278,359
19,391	272,614
-	1,356
19,616	419,822
72,614	79,604
1,513,305	1,513,305
21,800	21,800
123,981	134,406
<u>2,522,096</u>	<u>3,721,266</u>
-	8,139,907
-	568,939
-	11,968
269,869	2,474,441
-	855,378
<u>269,869</u>	<u>12,050,633</u>
25,079	948,979
7,059,930	25,143,179
-	11,855
392,158	2,989,965
(872,587)	3,123,461
<u>6,604,580</u>	<u>32,217,439</u>
<u>\$ 9,396,545</u>	<u>\$ 47,989,338</u>

SENECA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	32,217,439
<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.		72,043,563
Investments in joint ventures by the governmental activities are not financial resources and therefore are not reported in the funds.		4,826,996
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Sales taxes receivable	\$ 855,378	
Delinquent property taxes receivable	568,939	
Intergovernmental receivable	2,474,441	
Accrued interest receivable	11,968	
Total	3,910,726	3,910,726
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds interest is accrued when due.		(6,309)
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	(1,614,838)	
Capital lease payable	(16,994)	
General obligation bonds payable	(2,165,000)	
Loans payable	(39,858)	
Total	(3,836,690)	(3,836,690)
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	2,707,504	
Deferred inflows of resources - pension	(523,139)	
Net pension asset	40,249	
Net pension liability	(15,848,045)	
Total	(13,623,431)	(13,623,431)
Net position of governmental activities	\$	95,532,294

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, 2015

	<u>General</u>	<u>Maintenance and Repair</u>	<u>Public Assistance</u>	<u>Seneca County Opportunity Center</u>
Revenues:				
Property taxes.	\$ 1,939,933	\$ -	\$ -	\$ 3,527,125
Sales taxes.	8,779,946	-	-	-
Special assessments	-	-	-	-
Charges for services.	3,274,619	257,995	-	485,815
Licenses and permits	3,055	-	-	-
Fines and forfeitures.	235,264	37,973	-	-
Intergovernmental.	1,955,202	4,603,001	3,695,723	3,066,658
Interest.	153,935	50,395	-	-
Rent	108,310	-	-	70,925
Contributions and donations.	6,830	-	-	16,794
Other.	408,425	70,473	144,109	10,715
Total revenues	<u>16,865,519</u>	<u>5,019,837</u>	<u>3,839,832</u>	<u>7,178,032</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	5,821,400	-	-	-
Judicial.	2,118,284	-	-	-
Public safety	5,780,630	-	-	-
Public works	23,404	2,466,562	-	-
Health	96,238	-	-	8,616,008
Human services	308,323	-	4,169,958	-
Conservation and recreation	140,942	-	-	-
Community and economic development	-	-	-	-
Capital outlay	14,276	-	-	-
Debt service:				
Principal retirement	4,331	-	-	-
Interest and fiscal charges	436	-	-	-
Total expenditures	<u>14,308,264</u>	<u>2,466,562</u>	<u>4,169,958</u>	<u>8,616,008</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,557,255</u>	<u>2,553,275</u>	<u>(330,126)</u>	<u>(1,437,976)</u>
Other financing sources (uses):				
Sale of capital assets.	1,356	-	-	-
Capital lease transaction.	14,276	-	-	-
Transfers in	2,158	-	130,154	-
Transfers (out).	<u>(1,822,955)</u>	<u>(240,000)</u>	-	-
Total other financing sources (uses)	<u>(1,805,165)</u>	<u>(240,000)</u>	<u>130,154</u>	<u>-</u>
Net change in fund balances	752,090	2,313,275	(199,972)	(1,437,976)
Fund balances at beginning of year	<u>6,231,638</u>	<u>12,148,429</u>	<u>341,185</u>	<u>5,464,190</u>
Fund balances at end of year	<u>\$ 6,983,728</u>	<u>\$ 14,461,704</u>	<u>\$ 141,213</u>	<u>\$ 4,026,214</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,467,058
-	8,779,946
175,580	175,580
1,075,458	5,093,887
20,161	23,216
239,992	513,229
6,751,123	20,071,707
368	204,698
73,975	253,210
-	23,624
172,441	806,163
<u>8,509,098</u>	<u>41,412,318</u>
624,805	6,446,205
344,447	2,462,731
774,986	6,555,616
2,134,341	4,624,307
205,051	8,917,297
2,416,468	6,894,749
-	140,942
586,964	586,964
2,159,864	2,174,140
490,314	494,645
93,845	94,281
<u>9,831,085</u>	<u>39,391,877</u>
<u>(1,321,987)</u>	<u>2,020,441</u>
-	1,356
-	14,276
3,024,063	3,156,375
(1,456,119)	(3,519,074)
<u>1,567,944</u>	<u>(347,067)</u>
245,957	1,673,374
6,358,623	30,544,065
<u>\$ 6,604,580</u>	<u>\$ 32,217,439</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, 2015

Net change in fund balances - total governmental funds	\$	1,673,374
<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	\$ 3,892,621	
Current year depreciation	<u>(3,469,974)</u>	
Total		422,647
The net effect of various transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position.		
		(136,989)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sales taxes	14,171	
Property taxes	135,642	
Intergovernmental revenues	(59,956)	
Investment income	<u>(416)</u>	
Total		89,441
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.		
		208,590
Proceeds from capital lease 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.		
		(14,276)
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.		
		494,645
In the statement of activities, interest is accrued on outstanding bonds whereas in governmental funds, an interest expenditure is reported when due.		
		1,111
Contractually required contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,793,746
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.		
		(1,799,855)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>30,227</u>
Change in net position of governmental activities	\$	<u>2,762,661</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)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,927,206	\$ 1,939,933	\$ 1,939,933	\$ -
Sales taxes	8,025,000	8,437,500	8,675,672	238,172
Charges for services.	3,649,560	2,839,785	2,894,154	54,369
Licenses and permits	2,790	2,963	3,065	102
Fines and forfeitures	160,000	230,410	231,076	666
Intergovernmental.	1,844,764	1,928,657	1,931,530	2,873
Interest.	110,450	125,464	134,720	9,256
Rent	100,626	103,874	107,570	3,696
Contributions and donations.	-	6,830	6,830	-
Other.	55,200	390,504	399,751	9,247
Total revenues	<u>15,875,596</u>	<u>16,005,920</u>	<u>16,324,301</u>	<u>318,381</u>
Expenditures:				
Current:				
General government:				
Legislative and executive.	6,168,705	6,106,120	5,924,580	181,540
Judicial	2,477,903	2,499,369	2,366,155	133,214
Public safety	6,036,166	6,158,917	6,125,153	33,764
Public works	58,727	61,662	51,128	10,534
Health	99,034	98,684	98,684	-
Human services.	681,909	602,402	498,222	104,180
Conservation and recreation	172,353	207,942	150,942	57,000
Total expenditures	<u>15,694,797</u>	<u>15,735,096</u>	<u>15,214,864</u>	<u>520,232</u>
Excess of revenues over expenditures	<u>180,799</u>	<u>270,824</u>	<u>1,109,437</u>	<u>838,613</u>
Other financing sources (uses):				
Sale of capital assets.	-	302	1,356	1,054
Advances in	-	-	99,243	99,243
Advances (out).	-	-	(55,105)	(55,105)
Transfers in	-	-	4,016	4,016
Transfers (out).	(1,332,913)	(2,323,488)	(2,073,488)	250,000
Total other financing sources (uses)	<u>(1,332,913)</u>	<u>(2,323,186)</u>	<u>(2,023,978)</u>	<u>299,208</u>
Net change in fund balance	(1,152,114)	(2,052,362)	(914,541)	1,137,821
Fund balance at beginning of year	2,723,293	2,723,293	2,723,293	-
Prior year encumbrances appropriated	1,274,435	1,274,435	1,274,435	-
Fund balance at end of year	<u>\$ 2,845,614</u>	<u>\$ 1,945,366</u>	<u>\$ 3,083,187</u>	<u>\$ 1,137,821</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 330,000	\$ 330,000	\$ 252,848	\$ (77,152)
Fines and forfeitures.	30,000	30,000	37,707	7,707
Intergovernmental	3,800,000	3,800,000	4,268,657	468,657
Interest.	4,000	4,000	35,632	31,632
Other.	-	-	70,473	70,473
Total revenues	<u>4,164,000</u>	<u>4,164,000</u>	<u>4,665,317</u>	<u>501,317</u>
Expenditures:				
Current:				
Public works.	4,509,355	4,404,008	3,107,475	1,296,533
Excess (deficiency) of revenues over (under) expenditures	<u>(345,355)</u>	<u>(240,008)</u>	<u>1,557,842</u>	<u>1,797,850</u>
Other financing uses:				
Advances (out).	-	-	(563,175)	(563,175)
Transfers (out).	-	-	(240,000)	(240,000)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(803,175)</u>	<u>(803,175)</u>
Net change in fund balance	(345,355)	(240,008)	754,667	994,675
Fund balance at beginning of year	11,373,041	11,373,041	11,373,041	-
Prior year encumbrances appropriated	145,956	145,956	145,956	-
Fund balance at end of year	<u>\$ 11,173,642</u>	<u>\$ 11,278,989</u>	<u>\$ 12,273,664</u>	<u>\$ 994,675</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 4,338,500	\$ 3,956,736	\$ 3,722,572	\$ (234,164)
Other	86,000	220,000	144,139	(75,861)
Total revenues	<u>4,424,500</u>	<u>4,176,736</u>	<u>3,866,711</u>	<u>(310,025)</u>
Expenditures:				
Current:				
Human services	<u>4,566,190</u>	<u>4,559,320</u>	<u>4,420,873</u>	<u>138,447</u>
Excess of expenditures over revenues	<u>(141,690)</u>	<u>(382,584)</u>	<u>(554,162)</u>	<u>(171,578)</u>
Other financing sources:				
Transfers in	<u>132,415</u>	<u>205,154</u>	<u>130,154</u>	<u>(75,000)</u>
Net change in fund balance	(9,275)	(177,430)	(424,008)	(246,578)
Fund balance at beginning of year	259,301	259,301	259,301	-
Prior year encumbrances appropriated	<u>190,400</u>	<u>190,400</u>	<u>190,400</u>	<u>-</u>
Fund balance at end of year	<u>\$ 440,426</u>	<u>\$ 272,271</u>	<u>\$ 25,693</u>	<u>\$ (246,578)</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
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 3,348,022	\$ 3,527,125	\$ 3,527,125	\$ -
Charges for services	350,000	350,000	358,567	8,567
Intergovernmental	3,138,666	3,109,658	3,159,050	49,392
Rent	69,345	69,345	66,883	(2,462)
Contributions and donations.	3,367	16,794	16,794	-
Other.	821,000	121,459	121,479	20
Total revenues	<u>7,730,400</u>	<u>7,194,381</u>	<u>7,249,898</u>	<u>55,517</u>
Expenditures:				
Current:				
Health.	<u>12,678,010</u>	<u>12,478,636</u>	<u>9,656,642</u>	<u>2,821,994</u>
Excess of expenditures over revenues	<u>(4,947,610)</u>	<u>(5,284,255)</u>	<u>(2,406,744)</u>	<u>2,877,511</u>
Other financing sources (uses):				
Transfers in	41,688	-	-	-
Transfers (out).	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(358,312)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(5,305,922)	(5,284,255)	(2,406,744)	2,877,511
Fund balance at beginning of year	5,285,632	5,285,632	5,285,632	-
Prior year encumbrances appropriated . . .	567,066	567,066	567,066	-
Fund balance at end of year	<u>\$ 546,776</u>	<u>\$ 568,443</u>	<u>\$ 3,445,954</u>	<u>\$ 2,877,511</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 530,676	\$ 737,876	\$ 1,268,552
Receivables:			
Accounts	155,235	165,455	320,690
Prepayments	-	133	133
Total current assets	<u>685,911</u>	<u>903,464</u>	<u>1,589,375</u>
Noncurrent assets:			
Net pension asset.	366	155	521
Capital assets:			
Non-depreciable capital assets	-	26,243	26,243
Depreciable capital assets, net	163,980	5,814,167	5,978,147
Total capital assets, net.	<u>163,980</u>	<u>5,840,410</u>	<u>6,004,390</u>
Total noncurrent assets	<u>164,346</u>	<u>5,840,565</u>	<u>6,004,911</u>
Total assets.	<u>850,257</u>	<u>6,744,029</u>	<u>7,594,286</u>
Deferred outflows of resources:			
Pension - OPERS.	<u>23,260</u>	<u>9,819</u>	<u>33,079</u>
Liabilities:			
Current liabilities:			
Accounts payable	203,239	17,349	220,588
Accrued wages and benefits payable.	2,415	986	3,401
Due to other funds	605	-	605
Due to other governments	2,312	11,851	14,163
Unearned revenue.	-	1,494	1,494
Accrued interest payable	-	20,843	20,843
Compensated absences payable.	3,839	-	3,839
Revenue bonds payable.	-	51,000	51,000
OPWC loans payable	-	684	684
Total current liabilities	<u>212,410</u>	<u>104,207</u>	<u>316,617</u>
Long-term liabilities:			
Compensated absences payable.	15,845	-	15,845
Revenue bonds payable	-	2,980,652	2,980,652
OPWC loans payable	-	5,820	5,820
Net pension liability.	131,939	55,698	187,637
Total long-term liabilities	<u>147,784</u>	<u>3,042,170</u>	<u>3,189,954</u>
Total liabilities.	<u>360,194</u>	<u>3,146,377</u>	<u>3,506,571</u>
Deferred inflows of resources:			
Pension - OPERS.	<u>2,430</u>	<u>1,026</u>	<u>3,456</u>
Net position:			
Net investment in capital assets	163,980	2,802,254	2,966,234
Restricted for debt service	-	174,641	174,641
Unrestricted.	346,913	629,550	976,463
Total net position.	<u>\$ 510,893</u>	<u>\$ 3,606,445</u>	<u>4,117,338</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, 2015

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Operating revenues:			
Charges for services	\$ 425,829	\$ 502,040	\$ 927,869
Tap-in fees	-	2,422	2,422
Other operating revenues.	6,638	4,120	10,758
Total operating revenues.	<u>432,467</u>	<u>508,582</u>	<u>941,049</u>
Operating expenses:			
Personal services	192,807	71,405	264,212
Contract services	292,753	261,769	554,522
Materials and supplies	65,239	16,252	81,491
Depreciation	46,675	178,500	225,175
Other	49,904	3,455	53,359
Total operating expenses	<u>647,378</u>	<u>531,381</u>	<u>1,178,759</u>
Operating loss	<u>(214,911)</u>	<u>(22,799)</u>	<u>(237,710)</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	-	(84,402)	(84,402)
Grants and subsidies	8,000	-	8,000
Total nonoperating revenues (expenses)	<u>8,000</u>	<u>(84,402)</u>	<u>(76,402)</u>
Loss before transfers.	(206,911)	(107,201)	(314,112)
Transfer in	362,699	-	362,699
Change in net position	155,788	(107,201)	48,587
Net position at beginning of year (restated)	<u>355,105</u>	<u>3,713,646</u>	<u>4,068,751</u>
Net position at end of year	<u>\$ 510,893</u>	<u>\$ 3,606,445</u>	<u>\$ 4,117,338</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Emergency Medical Services	County Sewer District	Total
Cash flows from operating activities:			
Cash received from customers.	\$ 333,214	\$ 479,544	\$ 812,758
Cash received from tap-in fees	-	15,694	15,694
Cash received from other operations	6,638	3,748	10,386
Cash payments for personal services.	(200,847)	(75,361)	(276,208)
Cash payments for contractual services	(150,330)	(256,756)	(407,086)
Cash payments for materials and supplies	(71,888)	(12,918)	(84,806)
Cash payments for other expenses	(27,753)	(3,454)	(31,207)
Net cash provided by (used in) operating activities. . .	(110,966)	150,497	39,531
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies	8,000	-	8,000
Cash received from transfers in.	362,699	-	362,699
Net cash provided by noncapital financing activities. . .	370,699	-	370,699
Cash flows from capital and related financing activities:			
Principal retirement on revenue bonds.	-	(50,000)	(50,000)
Principal retirement on loans.	-	(684)	(684)
Interest and fiscal charges	-	(84,745)	(84,745)
Net cash used in capital and related financing activities.	-	(135,429)	(135,429)
Cash flows from investing activities:			
Interest received	-	12	12
Net cash provided by investing activities.	-	12	12
Net increase in cash and cash equivalents	259,733	15,080	274,813
Cash and cash equivalents at beginning of year	270,943	722,796	993,739
Cash and cash equivalents at end of year	\$ 530,676	\$ 737,876	\$ 1,268,552

(Continued)

SENECA COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	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	\$ (214,911)	\$ (22,799)	\$ (237,710)
Adjustments:			
Depreciation	46,675	178,500	225,175
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(92,615)	(24,356)	(116,971)
Notes receivable	-	13,651	13,651
Prepayments.	5	(83)	(78)
Net pension asset	(266)	(113)	(379)
Deferred outflows - pension	(6,404)	(2,703)	(9,107)
Accounts payable	191,285	4,762	196,047
Accrued wages and benefits	(5,080)	(2,183)	(7,263)
Intergovernmental payable	(40,880)	2,558	(38,322)
Amounts due to other funds.	(443)	(515)	(958)
Compensated absences payable	6,258	-	6,258
Net pension liability	2,980	1,258	4,238
Deferred inflows - pension	2,430	1,026	3,456
Unearned revenue.	-	1,494	1,494
Net cash provided by (used in) operating activities.	<u>\$ (110,966)</u>	<u>\$ 150,497</u>	<u>\$ 39,531</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	Agency
Assets:	
<i>Current assets:</i>	
Equity in pooled cash	
Equity in pooled cash and investments	\$ 7,452,543
Cash in segregated accounts.	291,949
Receivables:	
Accounts	1,214,905
Intergovernmental.	2,837,284
Taxes	43,842,645
Prepayments.	12,823
Total assets	\$ 55,652,149
Liabilities:	
<i>Current liabilities:</i>	
Accrued wages and benefits.	\$ 27,643
Intergovernmental payable	48,319,193
Compensated absences	217,048
Undistributed monies	6,210,913
Deposits held and due to others.	877,352
Total liabilities	\$ 55,652,149

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 22.

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, OH 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, 2015

NOTE 1 - REPORTING ENTITY - (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 & Recovery Services Board
- Seneca County Regional Planning Commission
- Seneca County Park District

The following organizations are joint ventures and pools in which the County participates. The financial information for these organizations is presented in Notes 20 and 21.

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - REPORTING ENTITY - (Continued)

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, the Mental Health Board is made of 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 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - REPORTING ENTITY - (Continued)

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 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 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 fund (SCOC) - 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.

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 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. For the County, deferred outflows of resources have been reported for the following items related to the County's net pension liability: (1) differences between expected and actual experience (2) the net difference between projected and actual investment earnings on pension plan assets, (3) the County's contributions to the pension systems subsequent to the measurement date and (4) differences between employer's contributions and the employer's proportional share of contributions/change in employer's proportion percentage.

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 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, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

The County also reports deferred inflow of resources for the following items related to the County's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are 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.

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 2015.

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 cash investments". During 2015, investments were limited to STAR Ohio, negotiable certificates of deposit (CDs), U.S. Government money market accounts, 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.

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which the investment could be sold on December 31, 2015. 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 2015 was \$153,935, which includes approximately \$131,722 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.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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 expended/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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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	31.5
Land Improvements	15
Machinery and Equipment	5-7
Infrastructure	5-50

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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, 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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.

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015.

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.

NOTE 3- ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the County's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities, business-type activities and enterprise funds at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position as previously reported	\$ 106,386,955	\$ 4,228,036
Net pension asset	10,969	142
Deferred outflows	1,899,299	23,972
Deferred inflows	(212,013)	-
Net pension liability	<u>(15,315,577)</u>	<u>(183,399)</u>
 Restated net position at January 1, 2015	 <u>\$ 92,769,633</u>	 <u>\$ 4,068,751</u>

	<u>Enterprise Funds</u>	
	<u>Emergency Medical Services Fund</u>	<u>County Sewer District Fund</u>
Net position as previously reported	\$ 467,108	\$ 3,760,928
Net pension asset	100	42
Deferred outflows - payments subsequent to measurement date	16,856	7,116
Net pension liability	<u>(128,959)</u>	<u>(54,440)</u>
 Restated net position at January 1, 2015	 <u>\$ 355,105</u>	 <u>\$ 3,713,646</u>

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available for the Ohio Public Employee Retirement System (OPERS). The restatement had no effect on governmental fund balances.

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Rural law enforcement assistance	\$ 171
Wolf Creek ditch project	15,000
15 guardrail update	263,058
Energy improvement construction capital projects	594,358

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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Compliance

The Maintenance and Repair fund had budgetary basis transfers out (\$240,000) in excess of appropriations (\$0) at December 31, 2015. The County Auditor will monitor expenditures to ensure they are within appropriations.

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 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2015, the carrying amount of the County's deposits was \$18,763,302 of which \$291,946 is held in segregated accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$15,489,686 of the County's bank balance of \$19,238,883 was exposed to custodial risk as discussed below, while \$3,099,197 was covered by the Federal Deposit Insurance Corporation.

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".

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2015, the County had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 months
STAR Ohio	\$ 7,227	\$ 7,227	\$ -	\$ -	\$ -	\$ -
Commercial paper	200,000	-	200,000	-	-	-
Negotiable CD's	9,065,356	1,244,089	1,487,019	987,451	1,406,081	3,940,716
U.S. Government money market	12,600	12,600	-	-	-	-
FHLB	497,680	-	-	-	497,680	-
FHLMC	8,124,336	-	-	668,178	500,135	6,956,023
FFCB	997,500	-	-	-	-	997,500
FNMA	1,682,533	-	-	-	-	1,682,533
Total	\$ 20,587,232	\$ 1,263,916	\$ 1,687,019	\$ 1,655,629	\$ 2,403,896	\$ 13,576,772

The weighted average maturity of investments is 2.94 years.

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 & 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 & Poor's and 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2015 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,227	0.04
Commerical paper	200,000	0.97
Negotiable CD's	9,065,356	44.03
U.S. Government money market	12,600	0.06
FHLB	497,680	2.42
FHLMC	8,124,336	39.46
FFCB	997,500	4.85
FNMA	1,682,533	8.17
Total	<u>\$ 20,587,232</u>	<u>100.00</u>

C. 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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 18,763,302
Investments	20,587,232
Cash on hand	2,007
Total	<u>\$ 39,352,541</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 30,339,497
Business-type activities	1,268,552
Agency funds	7,744,492
Total	<u>\$ 39,352,541</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Long-term interfund loans to/from other funds consisted of the following at December 31, 2015, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	<i>Nonmajor Governmental Funds:</i>	
	Wolf Creek ditch project	\$ 15,000
	Sheriff's highway safety grant	3,800
	S/O selective traffic enforcement	3,000
	Total loans to/from other funds	<u>\$ 21,800</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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Short-term interfund loans receivable/payable consisted of the following at December 31, 2015, as reported on the fund financial statements:

Receivable fund	Payable funds	Amount
General	<i>Nonmajor governmental funds:</i>	
	Sheriff donation fund	\$ 9,130
	Victims crime act grant fund	15,000
	Community correction fund	3,000
	Sheriff's highway ysafety grant	8,000
	S/O selective traffic enforcement	<u>5,000</u>
Maintenance and Repair Fund	<i>Nonmajor governmental funds:</i>	
	Eng - CR 10-35-61 resurfacing	70,000
	15 guardrail upgrade	<u>493,175</u>
Seneca County Opportunity Center	<i>Nonmajor governmental fund:</i>	
	Energy improvement construction	<u>910,000</u>
	Total short-term interfund loans payable/receivable	<u><u>\$ 1,513,305</u></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 and maintenance and repair funds 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, 2015, as reported on the fund financial statements:

Due to other funds (payable):	Due from other funds (receivable):			
	General	Maintenance and Repair	Seneca County Opportunity Center	Total
General fund	\$ -	\$ 1,026	\$ -	\$ 1,026
Maintenance and repair fund	28	-	-	28
Public assistance	-	489	-	489
Seneca County opportunity center	-	5,447	-	5,447
Nonmajor governmental funds	36,134	7,088	29,392	72,614
EMS	<u>2</u>	<u>603</u>	<u>-</u>	<u>605</u>
Total	<u><u>\$ 36,164</u></u>	<u><u>\$ 14,653</u></u>	<u><u>\$ 29,392</u></u>	<u><u>\$ 80,209</u></u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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, 2015, consisted of the following, as reported on the fund financial statements:

Transfer to:	Transfer from:			Total
	General	Maintenance and Repair	Nonmajor Governmental	
General	\$ -	\$ -	\$ 2,158	\$ 2,158
Public Assistance	130,154	-	-	130,154
Nonmajor governmental	1,330,102	240,000	1,453,961	3,024,063
EMS	362,699	-	-	362,699
Total	\$ 1,822,955	\$ 240,000	\$ 1,456,119	\$ 3,519,074

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 revalued 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.

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2015 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 2015 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, 2015 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 2015 property tax receipts were based are as follows:

Real Property	\$ 1,095,462,010	94.78 %
Public Utility Personal Property	<u>60,391,330</u>	<u>5.22 %</u>
Total Assessed Value	<u>\$ 1,155,853,340</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 2015. 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.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - RECEIVABLES - (Continued)

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 \$35,591, of which \$28,613 is expected to be collected in more than one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
Major Funds		
General Fund	Local government	\$ 365,678
	Homestead and rollback	134,135
	Miscellaneous grants	10,385
	Casino revenue	338,543
	Fees and reimbursements	<u>21,852</u>
	<i>Total General Fund</i>	<u>870,593</u>
Maintenance and Repair		
	Motor vehicle license	932,167
	Gasoline tax	<u>1,132,450</u>
	<i>Total Maintenance and Repair</i>	<u>2,064,617</u>

(Continued)

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - RECEIVABLES - (Continued)

<i>Fund Type/Fund</i>	<i>Description</i>	<i>Amount</i>
Public Assistance		
	H1 grants	2,000
	H-9 transfers	35,355
	Miscellaneous revenue	1,899
	<i>Total Public Assistance</i>	<u>39,254</u>
Seneca County Opportunity Center		
	Homestead and rollback	244,319
	Title VI-B	1,513
	Title XX	98,896
	National school lunch subsidy	893
	<i>Total Seneca County Opportunity Center</i>	<u>345,621</u>
Nonmajor Governmental Funds		
Child support enforcement grant	Federal grant	24,770
Community corrections	Federal grant	1,874
SS-1 grant	Federal grant	61,678
Children services	Reimbursements	3,975
Wireless 911	Federal grant	5,708
Sheriff highway safety grant	Federal grant	1,515
Juvenile court programs	Federal grant	9,150
Victim of crime act grant	Federal grant	19,615
T.R. 17 bridge rehabilitation	Federal grant	69,764
ODOT grants	Federal grant	263,057
	<i>Total Nonmajor Governmental Funds</i>	<u>461,106</u>
Total Governmental Funds		<u><u>\$ 3,781,191</u></u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015:

Governmental Activities:	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
<i>Non-depreciable Capital Assets</i>				
Land and Improvements	\$ 20,829,776	\$ 271,238	\$ -	\$ 21,101,014
Construction in Progress	672,077	20,981	-	693,058
Total Non-depreciable Capital Assets	21,501,853	292,219	-	21,794,072
<i>Depreciable Capital Assets:</i>				
Land Improvements	385,222	47,217	-	432,439
Buildings and Improvements	30,516,827	355,977	-	30,872,804
Machinery and Equipment	11,594,331	421,925	(176,837)	11,839,419
Infrastructure	49,228,526	2,775,283	(740,861)	51,262,948
Total Depreciable Capital Assets	91,724,906	3,600,402	(917,698)	94,407,610
Less: Accumulated Depreciation:				
Land Improvements	(51,362)	(27,006)	-	(78,368)
Buildings and Building Improvements	(16,148,183)	(820,207)	-	(16,968,390)
Machinery and Equipment	(9,600,795)	(700,830)	176,086	(10,125,539)
Infrastructure	(15,668,514)	(1,921,931)	604,623	(16,985,822)
Total Accumulated Depreciation	(41,468,854)	(3,469,974)	780,709	(44,158,119)
Total Depreciable Capital Assets, Net	50,256,052	130,428	(136,989)	50,249,491
Total Governmental Activities Capital Assets, Net	\$ 71,757,905	\$ 422,647	\$ (136,989)	\$ 72,043,563

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General government:	
Legislative and executive	\$ 891,770
Judicial	55,597
Public safety	175,283
Public works	2,192,947
Health	89,671
Human services	40,857
Conservation and recreation	23,849
Total Depreciation Expense	\$ 3,469,974

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type Activities:	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/15</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	-	-	1,222,260
Infrastructure	6,708,356	-	-	6,708,356
Total Depreciable Capital Assets	<u>8,149,081</u>	<u>-</u>	<u>-</u>	<u>8,149,081</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(137,321)	(6,688)	-	(144,009)
Machinery and Equipment	(1,000,980)	(49,277)	-	(1,050,257)
Infrastructure	<u>(807,458)</u>	<u>(169,210)</u>	<u>-</u>	<u>(976,668)</u>
Total Accumulated Depreciation	<u>(1,945,759)</u>	<u>(225,175)</u>	<u>-</u>	<u>(2,170,934)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>6,203,322</u>	<u>(225,175)</u>	<u>-</u>	<u>5,978,147</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,229,565</u>	<u>\$ (225,175)</u>	<u>\$ -</u>	<u>\$ 6,004,390</u>

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

Business-Type Activities:

EMS enterprise	\$ 46,675
County Sewer District enterprise	178,500
Total Depreciation Expense	<u>\$ 225,175</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current year and 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 2015 totaled \$4,331 and were paid by the general fund. As of December 31, 2015, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$16,994.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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, 2015:

	<u>Year Ended December 31,</u>	<u>Amount</u>
	2016	\$ 6,233
	2017	3,483
	2018	3,233
	2019	3,233
	2020	<u>2,693</u>
Total		18,875
Less: amount representing interest		<u>(1,881)</u>
Present value of net minimum lease payments		<u><u>\$ 16,994</u></u>

NOTE 11 - LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2015 is as follows. The long-term obligations at December 31, 2014 have been restated as described in Note 3.A.

	<u>Restated Outstanding 12/31/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 12/31/15</u>	<u>Amount Due Within One Year</u>
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 2,650,000	\$ -	\$ (485,000)	\$ 2,165,000	\$ 485,000
Compensated Absences	1,645,065	50,431	(80,658)	1,614,838	398,616
OWDA On-Lot Septic Loan	45,172	-	(5,314)	39,858	5,314
Net Pension Liability	15,315,577	532,468	-	15,848,045	-
Capital Lease Payable	<u>7,049</u>	<u>14,276</u>	<u>(4,331)</u>	<u>16,994</u>	<u>5,489</u>
Governmental Activities	<u><u>\$ 19,662,863</u></u>	<u><u>\$ 597,175</u></u>	<u><u>\$ (575,303)</u></u>	<u><u>\$ 19,684,735</u></u>	<u><u>\$ 894,419</u></u>
<i>Business-type Activities</i>					
Sewer District Improvement					
Revenue Bonds	\$ 3,081,652	\$ -	\$ (50,000)	\$ 3,031,652	\$ 51,000
Compensated Absences	13,426	6,258	-	19,684	3,839
Net Pension Liability	183,399	4,238	-	187,637	-
OPWC Sewer Project Loan	<u>7,188</u>	<u>-</u>	<u>(684)</u>	<u>6,504</u>	<u>684</u>
Business-type Activities	<u><u>\$ 3,285,665</u></u>	<u><u>\$ 10,496</u></u>	<u><u>\$ (50,684)</u></u>	<u><u>\$ 3,245,477</u></u>	<u><u>\$ 55,523</u></u>

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, 2015, the County had \$2,165,000 in general obligation bonds outstanding. The general obligation refunding bonds are paid from the bond retirement fund (a nonmajor governmental fund) by money received

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2015, the amount of defeased debt amounted to \$2,160,000.

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 2015 required 119.54% percent of net revenues and 28.94 percent of total revenues. The total principal and interest remaining to be paid on the bonds is \$4,790,539. Principal and interest paid for the current year was \$134,745, total net revenues were \$112,722 and total revenues were \$465,603.

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.

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 15 for details.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 \$26,082,368 at December 31, 2015 and the unvoted legal debt margin was \$10,244,567 at December 31, 2015.

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
2016	\$ 485,000	\$ 75,705	\$ 560,705	\$ 5,314	\$ -	\$ 5,314
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 - 2023	<u>400,000</u>	<u>33,408</u>	<u>433,408</u>	<u>13,288</u>	<u>-</u>	<u>13,288</u>
Total	<u>\$ 2,165,000</u>	<u>\$ 263,196</u>	<u>\$ 2,428,196</u>	<u>\$ 39,858</u>	<u>\$ -</u>	<u>\$ 39,858</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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
2016	\$ 684	\$ -	\$ 684	\$ 51,000	\$ 83,371	\$ 134,371
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 - 2025	3,081	-	3,081	312,000	362,813	674,813
2026 - 2030	-	-	-	354,000	317,713	671,713
2031 - 2035	-	-	-	409,000	266,124	675,124
2036 - 2040	-	-	-	466,000	206,807	672,807
2041 - 2045	-	-	-	534,000	139,155	673,155
2046 - 2050	-	-	-	597,652	61,496	659,148
2051	-	-	-	88,000	2,420	90,420
Total	<u>\$ 6,504</u>	<u>\$ -</u>	<u>\$ 6,504</u>	<u>\$ 3,031,652</u>	<u>\$ 1,758,887</u>	<u>\$ 4,790,539</u>

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 \$128,222,114, 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.....	\$1,275,000
Errors and Omissions Liability.....	\$1,000,000	Prosecuting Attorney Defense.....	\$25,000
Employee Dishonesty.....	\$1,000,000	Fleet Insurance:	
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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

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 14 - 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 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - 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* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* 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 Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 percent 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 percent.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% 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:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	12.0 %
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>4.0 %</u>	<u>4.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>11.5 %</u>	<u>12.1 %</u>

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

The County's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$1,778,854 for 2015. Of this amount, \$41,468 is reported as due to other governments.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (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 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 percent on July 1, 2016. For January 1, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$77,526 for 2015.

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, respectively, were measured as of December 31, 2014, 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 total pension liability was measured as of June 30, 2015, 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>
Proportionate share of the net pension liability	\$ 14,684,663	\$ 1,351,019	\$ 16,035,682
Proportionate share of the net pension asset	40,770	-	40,770
Proportion of the net pension liability	0.12721900%	0.00488843%	
Proportion of the net pension asset	0.11064500%	0.00000000%	
Pension expense	\$ 1,638,465	\$ 182,327	\$ 1,820,792

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 69,864	\$ 69,864
Net difference between projected and actual earnings on pension plan investments	786,017	-	786,017
Difference between employer contributions and proportionate share of contributions/ change in employers proportion percentage County contributions subsequent to the measurement date	23,980	44,246	68,226
	<u>1,778,854</u>	<u>37,622</u>	<u>1,816,476</u>
Total deferred outflows of resources	<u>\$ 2,588,851</u>	<u>\$ 151,732</u>	<u>\$ 2,740,583</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 270,421	\$ -	\$ 270,421
Net difference between projected and actual earnings on pension plan investments	-	256,174	256,174
Total deferred inflows of resources	<u>\$ 270,421</u>	<u>\$ 256,174</u>	<u>\$ 526,595</u>

\$1,816,476 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, 2016. 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>
2016	\$ 87,056	\$ (48,077)	\$ 38,979
2017	87,056	(48,077)	38,979
2018	176,961	(48,077)	128,884
2019	195,024	2,167	197,191
2020	(1,480)	-	(1,480)
Thereafter	<u>(5,041)</u>	<u>-</u>	<u>(5,041)</u>
Total	<u>\$ 539,576</u>	<u>\$ (142,064)</u>	<u>\$ 397,512</u>

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 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 percent of the combined healthy male mortality rates were used. For females, 100 percent 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 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent 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 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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. 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 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 percent, 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 percent) or one-percentage-point higher (9 percent) 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	\$ 28,228,624	\$ 14,684,663	\$ 4,492,103
Combined Plan	\$ 5,532	\$ (40,770)	\$ (80,771)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2015, 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 target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	 <u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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 percent, 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 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 1,876,667	\$ 1,351,019	\$ 906,505

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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 and the Combined Plans. 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 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 administrated 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 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). 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 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

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, 2015, 2014, and 2013 were \$296,476, \$333,730, and \$160,446, respectively; 85.71% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTEMPLOYMENT BENEFIT PLANS - (Continued)

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 2015, 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, 2015, 2014 and 2013 were \$0, \$4,965 and \$5,187, respectively. The full amount has been contributed for 2015, 2014 and 2013.

NOTE 17 - 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).

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	General Fund	Maintenance and Repair Fund	Public Assistance	Seneca County Opportunity Center
Budget basis	\$ (914,541)	\$ 754,667	\$ (424,008)	\$ (2,406,744)
Net adjustment for revenue accruals	211,571	354,520	(26,879)	(71,866)
Net adjustment for expenditure accruals	98,103	59,878	79,818	394,285
Net adjustment for other sources/uses	218,971	563,175	-	-
Funds budgeted elsewhere	258,746	-	-	-
Adjustment for encumbrances	<u>879,240</u>	<u>581,035</u>	<u>171,097</u>	<u>646,349</u>
GAAP basis	<u>\$ 752,090</u>	<u>\$ 2,313,275</u>	<u>\$ (199,972)</u>	<u>\$ (1,437,976)</u>

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 18 - 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, 2015, the likelihood of a successful claim against the County is not known.

NOTE 19 - 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, 2015, an estimated \$633,717,527 in revenue bond obligations were outstanding.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - 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.

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, 2015.

NOTE 21- 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, 2015 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, 2015.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 21 - JOINT VENTURES - (Continued)

	<u>Joint Venture</u>	<u>County Share</u>
Total Assets	\$ 5,016,427	\$ 1,672,142
Total Liabilities	(716,301)	(238,767)
Net Position	<u>\$ 4,300,126</u>	<u>\$ 1,433,375</u>
Revenues	\$ 282,602	\$ 94,201
Expenses	(206,815)	(68,938)
Increase in Net Position	<u>\$ 75,787</u>	<u>\$ 25,263</u>

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 respective counties bears to the total population of all counties. Seneca County's share of the total is approximately 35.46 percent. Summary financial information as of, and for the fiscal year ended December 31, 2015 is presented below:

	<u>Joint Venture</u>	<u>County Share</u>		<u>Population</u>	<u>Equity Percent</u>
Beginning Net Position	\$ 3,496,790	\$ 1,239,875	Ottawa	41,154	26.21%
			Sandusky	60,179	38.33%
Revenues	1,356,763	481,074	Seneca	55,669	35.46%
Expenses	<u>(1,503,089)</u>	<u>(532,958)</u>	Total	<u>157,002</u>	<u>100.00%</u>
Ending Net Position	<u>\$ 3,350,464</u>	<u>\$ 1,187,991</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, 2015 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, 2015.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 21 - JOINT VENTURES- (Continued)

	Joint Venture	County Share		Population	Equity Percent
Beginning Net Position	\$ 3,463,800	\$ 1,395,260	Sandusky	60,179	43.55%
			Seneca	55,669	40.28%
Revenues	4,350,293	1,752,350	Wyandot	22,353	16.17%
Expenses	<u>(3,759,375)</u>	<u>(1,514,321)</u>	Total	<u>138,201</u>	<u>100.00%</u>
Ending Net Position	<u>\$ 4,054,718</u>	<u>\$ 1,633,289</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, Sandusky 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, 2015 is presented below. Further financial information can be found in the Northland Homes and Properties, Inc. financial report as of December 31, 2015.

	Joint Venture	County Share
Total Assets	\$ 2,710,747	\$ 903,582
Total Liabilities	(993,722)	(331,241)
Net Position	<u>\$ 1,717,025</u>	<u>\$ 572,341</u>
Revenues	\$ 442,433	\$ 147,478
Expenses	(463,408)	(154,469)
Decrease in Net Position	<u>\$ (20,975)</u>	<u>\$ (6,991)</u>

NOTE 22 - 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-Ads 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 COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 22 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

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, 2015. Further financial information can be seen in the Seneca Re-Ad Industries, Inc. Financial Report as of June 30, 2015 available from Reichert & Associates, CPA's, 206 West Hardin Street, Findlay, OH45840.

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.

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	\$ 169,805	Southeast Financial Credit Union	36,760
Croghan Colonial Bank	92,287	Republic Bank	75,208
First Bank	92,195	First National Bank	138,182
Fifth Third CD	75,299	Sutton Bank	95,441
FirstMerit CD	86,804	Huntington Bank	58,379
U.S. Bank CD	90,882	Petty Cash Funds	450
Old Fort Bank CD	68,415		
		<i>Total Cash and Short-Term Investments</i>	\$ 1,080,107

FDIC Insurance insures all funds except for petty cash funds.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 22 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

- C. Capital Assets - A summary of changes in capital assets by class during the fiscal year ended June 30, 2015 are as follows:

	Balance at 6/30/2014	Additions	Deletions	Balance at 6/30/2015
Land	\$ 2,945	\$ -	\$ -	\$ 2,945
Building	130,590	-	-	130,590
Furniture and Fixtures	83,634	-	-	83,634
Machinery and Equipment	446,810	6,000	(59,020)	393,790
Vehicles	103,896	-	-	103,896
<i>Subtotal</i>	767,875	6,000	(59,020)	714,855
Accumulated Depreciation	(575,390)	(30,569)	59,020	(546,939)
<i>Net Capital Assets</i>	\$ 192,485	\$ (24,569)	\$ -	\$ 167,916

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 2012, 2013 and 2014 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.
- 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 \$672,926.
- G. Accrued Vacation- A liability for accrued vacation for \$11,001 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.

SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 22 - SENECA RE-AD INDUSTRIES, INC. - COMPONENT UNIT - (Continued)

H. Significant Concentration of Business with Customer – For fiscal year 2015, Roppe Rubber provided 72% 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.

NOTE 23 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015 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	57,060
Total		<u>\$ 67,060</u>

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SENECA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 24 - 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:

Fund balance	General	Maintenance and Repair	Public Assistance	Seneca County Opportunity Center	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 55,925	\$ 467,286	\$ -	\$ 9,410	\$ 4,250	\$ 536,871
Prepayments	125,559	1,619	3,090	64,477	20,829	215,574
Unclaimed monies	174,734	-	-	-	-	174,734
Long-term loans	21,800	-	-	-	-	21,800
Total nonspendable	<u>378,018</u>	<u>468,905</u>	<u>3,090</u>	<u>73,887</u>	<u>25,079</u>	<u>948,979</u>
Restricted:						
Capital projects	-	-	-	-	1,456,771	1,456,771
Grants and specific programs	-	-	-	-	3,414,011	3,414,011
SCOC programs	-	-	-	3,952,327	-	3,952,327
Human services programs	-	-	138,123	-	1,905,730	2,043,853
Roads and bridges	-	13,992,799	-	-	-	13,992,799
Community and economic development	-	-	-	-	283,018	283,018
Public safety	-	-	-	-	400	400
Total restricted	<u>-</u>	<u>13,992,799</u>	<u>138,123</u>	<u>3,952,327</u>	<u>7,059,930</u>	<u>25,143,179</u>
Committed:						
Underground storage tank	11,855	-	-	-	-	11,855
Total committed	<u>11,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,855</u>
Assigned:						
Debt service	-	-	-	-	369,421	369,421
Capital projects	-	-	-	-	22,737	22,737
Grants and specific programs	1,496	-	-	-	-	1,496
General government	1,206,388	-	-	-	-	1,206,388
Public safety	55,420	-	-	-	-	55,420
Health	10,394	-	-	-	-	10,394
Human services	82,083	-	-	-	-	82,083
Employee benefits	318,338	-	-	-	-	318,338
Public works	31	-	-	-	-	31
Subsequent year appropriations	923,657	-	-	-	-	923,657
Total assigned	<u>2,597,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,158</u>	<u>2,989,965</u>
Unassigned (deficit)	<u>3,996,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(872,587)</u>	<u>3,123,461</u>
Total fund balances	<u>\$ 6,983,728</u>	<u>\$ 14,461,704</u>	<u>\$ 141,213</u>	<u>\$ 4,026,214</u>	<u>\$ 6,604,580</u>	<u>\$ 32,217,439</u>

SENECA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 25 - 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:

<u>Fund</u>	<u>Encumbrances</u>
General fund	\$ 581,133
Maintenance and Repair fund	500,971
Public Assistance fund	122,427
Seneca County Opportunity Center	490,213
Nonmajor governmental funds	1,671,480
Total	<u>\$ 3,366,224</u>

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 TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
County's proportion of the net pension liability	0.127219%	0.127219%
County's proportionate share of the net pension liability	\$ 14,684,663	\$ 14,352,986
County's covered-employee payroll	\$ 15,229,083	\$ 16,090,392
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.43%	89.20%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
County's proportion of the net pension asset	0.116450%	0.110645%
County's proportionate share of the net pension asset	\$ 40,770	\$ 11,111
County's covered-employee payroll	\$ 404,450	\$ 346,754
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.08%	3.20%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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 TWO YEARS

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

Note: Information prior to 2014 was unavailable.

Amounts presented as of the County's measurement date which is as of June 30 of the respective year.

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 SIX YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 1,732,105	\$ 1,827,490	\$ 2,091,751	\$ 1,624,062
Contributions in relation to the contractually required contribution	<u>(1,732,105)</u>	<u>(1,827,490)</u>	<u>(2,091,751)</u>	<u>(1,624,062)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 14,434,208	\$ 15,229,083	\$ 16,090,392	\$ 16,240,620
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 46,749	\$ 48,534	\$ 45,078	\$ 22,098
Contributions in relation to the contractually required contribution	<u>(46,749)</u>	<u>(48,534)</u>	<u>(45,078)</u>	<u>(22,098)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 389,575	\$ 404,450	\$ 346,754	\$ 277,962
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

(1) Information prior to 2010 not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>
\$ 1,683,932	\$ 1,571,134
<u>(1,683,932)</u>	<u>(1,571,134)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 16,839,320	\$ 17,620,194
10.00%	8.92%
\$ 20,450	\$ 25,508
<u>(20,450)</u>	<u>(25,508)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 257,233	\$ 263,331
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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 77,526	\$ 72,239	\$ 67,434	\$ 66,845
Contributions in relation to the contractually required contribution	<u>(77,526)</u>	<u>(72,239)</u>	<u>(67,434)</u>	<u>(66,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 553,757	\$ 555,685	\$ 518,723	\$ 514,192
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 74,025	\$ 72,698	\$ 76,686	\$ 81,975	\$ 80,217	\$ 75,950
<u>(74,025)</u>	<u>(72,698)</u>	<u>(76,686)</u>	<u>(81,975)</u>	<u>(80,217)</u>	<u>(75,950)</u>
<u>\$ -</u>					
\$ 569,423	\$ 559,215	\$ 589,892	\$ 630,577	\$ 617,054	\$ 584,231
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SENECA COUNTY, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. 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 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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SENECA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSCFB15	\$	296,442
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	IRN093286		9,490
National School Lunch Program	10.555	IRN066241		1,070
National School Lunch - Food Distribution Program	10.555	IRN066241		10,565
National School Lunch Program	10.555	IRN093286		17,567
Total CFDA # 10.555				29,202
Total Child Nutrition Cluster				38,692
Total U.S. Department of Agriculture				335,134
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grant/State's Program	14.228	B-F-13-1CQ-1		57,000
Community Development Block Grant/State's Program	14.228	B-F-14-1CQ-1		14,957
Revolving Loan Fund Balance	14.228	N/A		117,415
Total CFDA # 14.228				189,372
Home Investment Partnerships Program	14.239	B-C-13-1CQ		164,393
Home Investment Partnerships Program	14.239	B-F-14-1CQ		120,507
Total CFDA # 14.239				284,900
Total U.S. Department of Housing and Urban Development				474,272
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2015VAGENE252		76,252
Crime Victim Assistance	16.575	2015SAGENE252		7,815
Crime Victim Assistance	16.575	2016VAGENE252		10,379
Crime Victim Assistance	16.575	2016SAGENE252		2,605
Total U.S. Department of Justice				97,051
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Montgomery County WIA Area 7</i>				
WIA Cluster				
WIA Adult Program	17.258	N/A		72,590
WIA Youth Activities Program	17.259	JFSCYP15	\$	118,905
WIA Dislocated Worker Formula Grants	17.278	N/A		194,552
Total U.S. Department of Labor				118,905
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	20.205	#98142		412,488
Highway Planning and Construction	20.205	#99236		216,705
Highway Planning and Construction	20.205	#99231		1,446,038
Highway Planning and Construction	20.205	#96361		33,012
Total CFDA # 20.205				2,108,243
State and Community Highway Safety	20.600	STEP FFY2016		2,095
State and Community Highway Safety	20.600	STEP FFY2015		6,246
Total CFDA # 20.600				8,341
National Priority Safety Programs	20.616	IDEP FFY2016		2,405
National Priority Safety Programs	20.616	IDEP FFY2015		8,065
Total CFDA # 20.616				10,470
<i>Passed Through Ohio Department of Public Safety</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	74-Sene-plng		1,958
Total U.S. Department of Transportation				2,129,012

(Continued)

SENECA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Temporary Assistance for Needy Families	93.558	G-1213-11-0112		1,211,618
Child Care and Development Block Grant	93.575	G-1213-11-0112		44,306
Children's Health Insurance Program	93.767	G-1213-11-0112		1,629
Child Support Enforcement	93.563	G-1213-11-0112		807,769
Grants to States for Access and Visitation Programs	93.597	G-1213-11-0112		97,504
Foster Care Title IV-E	93.658	G-1213-11-0112		38,322
Adoption Assistance	93.659	G-1213-11-0112		87,823
Promoting Safe and Stable Families	93.556	G-1213-11-0112		6,936
Community-Based Child Abuse Prevention Grants	93.590	G-1213-11-0112		2,619
Chafee Foster Care Independence Program	93.674	G-1213-11-0112		24
<i>Passed Through Ohio Department of Job and Family Services</i>				
Social Services Block Grant	93.667	G-1213-11-0112		861,948
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	N/A		36,514
Total CFDA # 93.667				898,462
<i>Passed Through Ohio Department of Job and Family Services</i>				
Medical Assistance Program	93.778	G-1213-11-0112		208,396
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Medical Assistance Program	93.778	N/A		303,938
Total CFDA # 93.778				512,334
Total U.S. Department of Health and Human Services				3,709,346
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio Emergency Management Agency</i>				
Hazard Mitigation Grant	97.039	FEMA-DR-4002-OH		1,792
Emergency Management Performance Grants	97.042	53846		66,784
Emergency Management Performance Grants	97.042	53846		21,769
Total CFDA # 97.042				88,553
Total U.S. Department of Homeland Security				90,345
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Grants to States	84.027	N/A		28,934
Total U.S. Department of Education				28,934
Total Expenditures of Federal Awards			\$ 118,905	\$ 7,259,665

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, 2015**

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) under programs of the federal government for the year ended December 31, 2015. 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 on 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 Government 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.

SENECA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F –COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

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

These loans are collateralized by mortgages on the property.

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 2015, the County made allowable transfers of \$426,811 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 \$1,211,618 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 2015 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 1,638,429
Transfer to Social Services Block Grant	<u>(426,811)</u>
Total Temporary Assistance for Needy Families	<u>\$ 1,211,618</u>



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
111 Madison Street
Tiffin, Ohio 44883-2824

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, 2015, 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 26, 2016. 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*. We also noted the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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*.

Entity's Response to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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 26, 2016



Dave Yost • Auditor of State

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

Seneca County
111 Madison Street
Tiffin, Ohio 44883-2824

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's) 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 Seneca County's major federal programs for the year ended December 31, 2015. 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.

Basis for Qualified Opinion on the Home Investment Partnerships Program

As described in finding 2015-002 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its CFDA 14.239 Home Investment Partnerships Program major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

Qualified Opinion on Home Investment Partnerships Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Home Investment Partnerships* paragraph, Seneca County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Home Investment Partnerships Program* for the year ended December 31, 2015.

The County's response to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Seneca County complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended December 31, 2015.

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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2015-002.

The County's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not audit the County's response and, accordingly, we express no opinion on it.

Seneca County
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
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2016

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SENECA COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

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)?	Yes
(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?	Yes
(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	Qualified: Home Investment Partnerships Program Unmodified: Child Support Enforcement; Social Services Block Grant
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Home Investment Partnerships Program – CFDA #14.239 Child Support Enforcement – CFDA #93.563 Social Services Block Grant – CFDA #93.667
(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?	Yes

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the County Auditor and the Board County Commissioners and is essential to ensure the information provided to the readers of the basic financial statements is complete and accurate. We noted the following errors requiring adjustment to the basic financial statements:

- Accounts receivable and charges for services revenues in the County Sewer District fund were understated by \$42,979;
- Accounts receivable and charges for services revenues in the Emergency Medical Services fund were understated by \$67,068; and
- Charges for services revenue in the amount of \$25,547 in the Emergency Medical Services fund were improperly classified as patient fees revenues.

These errors were not identified and corrected prior to the County preparing its basic financial statements due to deficiencies in the County's internal controls over financial statement monitoring. The accompanying basic financial statements, and where applicable, the County's accounting records have been adjusted to reflect these changes.

To ensure the County's basic financial statements are complete and accurate, the County should adopt policies and procedures, including a final review of the basic financial statements by the County Auditor, to identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2015-002

Finding Number	2015-002		
CFDA Title and Number	Home Investment Partnerships Program - CFDA #14.239		
Federal Award Identification Number / Year	B-C-13-1CQ B-F-14-1CQ		
Federal Agency	U.S. Department of Housing and Urban Development		
Pass-Through Entity	Ohio Department of Development		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

FINDING NUMBER 2015-002
(Continued)

Noncompliance / Material Weakness

24 CFR Part 92.502(c)(2) provides that Home Investment Partnership (HOME) program funds drawn from the United States Treasury account must be expended for eligible costs within 15 days. Any interest earned within the 15 day period may be retained by the participating jurisdiction as HOME funds. Any funds that are drawn down and not expended for eligible costs within 15 days of the disbursement must be returned to HUD for deposit in the participating jurisdiction's United States Treasury account of the HOME Investment Trust Fund. Interest earned after 15 days belongs to the United States and must be remitted to the United States as provided in 2 CFR 200.305(b)(9), except interest amounts up to \$500 per year may be retained for administrative expenses.

OCD Financial management Rules and Regulations, Nov. 2008, Section (A)(3)(f) provides that the grantee must develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds. Lump sum drawdowns are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the 15-day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days (Attachment 6 – Common Rule 24 CFR Part 85, Attachment 7 – 24 CFR Part 84 and 7, and OHCP Housing Rehabilitation Handbook).

Fifty percent of the draw downs and subsequent expenditures selected for testing were not expended within 15 days of receipt and the cash balance of drawdowns exceeded \$5,000. We recommend the County develop a cash management procedure to ensure HOME program funds are expended within 15 days of each drawdown or reduce the funds on hand to a balance of less than \$5,000.

Officials' Response:

See Corrective Action Plan

SENECA COUNTY

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The County will ensure the proper accounts receivable reports are given to the GAAP conversion team in a timely fashion and continue to educate the departments on the need to provide proper documentation.	January 1, 2017	Julie A. Adkins, Seneca County Auditor
2015-002	The County will ensure drawdowns are limited to cash needs and are spent within the required time period.	September 23, 2016	Julie A. Adkins, Seneca County Auditor



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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
OCTOBER 6, 2016**