



Dave Yost • Auditor of State



**LAKE COUNTY**  
**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor’s Report .....	1
Prepared by Management:	
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position .....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual Developmental Disabilities Board Fund.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board) .....	30
Statement of Fund Net Position Proprietary Funds .....	31
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds .....	32
Statement of Cash Flows Proprietary Funds .....	33
Statement of Fiduciary Assets and Liabilities Agency Funds .....	35
Notes to the Basic Financial Statements .....	36

**LAKE COUNTY**  
**TABLE OF CONTENTS**  
**(CONTINUED)**

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management:	
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) Ohio Public Employees Retirement System (OPERS) – Traditional Plan Last Three Years .....	93
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) Ohio Public Employees Retirement System (OPERS) – Combined Plan Last Three Years .....	94
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) State Teachers Retirement System (STRS) Last Three Years .....	95
Schedule of County Contributions Ohio Public Employees Retirement System (OPERS) – Traditional Plan Last Four Years .....	96
Schedule of County Contributions Ohio Public Employees Retirement System (OPERS) – Combined Plan Last Four Years .....	97
Schedule of County Contributions State Teachers Retirement System (STRS) Last Four Years .....	98
Notes to Required Supplementary Information .....	99
Federal Awards Expenditures Schedule .....	101
Notes to the Federal Awards Expenditures Schedule .....	105
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	107
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.....	109
Schedule of Findings.....	111



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Developmental Disabilities Board Fund, and Board of Alcohol, Drug Addiction & Mental Health Services (ADAMHS Board) Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 Federal Awards Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 8, 2017

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# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

## **Financial Highlights**

Key financial highlights for 2016 are as follows:

In total, net position increased \$29,407,015. Net position of governmental activities increased \$6,898,583, which represents a 3 percent increase from 2015. Net position of business-type activities increased \$22,508,432 or 10 percent from 2015.

General revenues accounted for \$120,933,116 in revenue or 53 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$105,949,834 or 47 percent of total revenues of \$226,882,950.

Total assets of governmental activities increased by \$12,243,254, and total assets of business-type activities increased by \$5,858,929.

The County had \$174,363,897 in expenses related to governmental activities; only \$60,501,672 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$120,625,808 were sufficient to offset the remainder of the total expenses, thus resulting in the net position increase disclosed above.

The County's net pension liability implemented under GASB 68 increased to \$106,151,474 from \$74,172,952. For more information on this liability see Note J to the basic financial statements.

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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

## **Reporting the County as a Whole**

### **Statement of Net Position and the Statement of Activities**

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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

## **Reporting on the County's Most Significant Funds**

### **Fund Financial Statements**

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

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

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

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 24-30 of this report.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central purchasing, mailroom, and vehicle maintenance departments as well as for its self-insurance programs for prescription and dental coverage. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the County-wide financial statements. The proprietary fund financial statements can be found on pages 31-34 of this report.

***Fiduciary Funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds. The County's fiduciary funds are agency funds and the fiduciary fund financial statement can be found on page 35 of this report.

***Notes to the Basic Financial Statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-92 of this report.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

## Government-wide Financial Analysis

The following provides a summary of the County's Net Position for 2016 and 2015:

Table 1  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 236,213,160	\$ 222,744,106	\$ 60,497,959	\$ 59,942,330	\$ 296,711,119	\$ 282,686,436
Capital Assets	146,854,853	148,080,653	233,281,012	227,977,712	380,135,865	376,058,365
<b>Total Assets</b>	<b>383,068,013</b>	<b>370,824,759</b>	<b>293,778,971</b>	<b>287,920,042</b>	<b>676,846,984</b>	<b>658,744,801</b>
<b>Deferred Outflows of Resources</b>						
Deferred Refunding Loss	208,445	232,042	-	-	208,445	232,042
Pension	34,943,544	11,347,376	6,252,541	2,042,827	41,196,085	13,390,203
<b>Total Deferred Outflows</b>	<b>35,151,989</b>	<b>11,579,418</b>	<b>6,252,541</b>	<b>2,042,827</b>	<b>41,404,530</b>	<b>13,622,245</b>
<b>Liabilities</b>						
Current and Other Liabilities	6,984,503	4,978,228	9,680,483	10,422,058	16,664,986	15,400,286
Net Pension Liability	90,046,122	62,926,919	16,105,352	11,246,033	106,151,474	74,172,952
Other Long Term Liabilities	30,710,884	31,706,147	35,684,837	52,387,097	66,395,721	84,093,244
<b>Total Liabilities</b>	<b>127,741,509</b>	<b>99,611,294</b>	<b>61,470,672</b>	<b>74,055,188</b>	<b>189,212,181</b>	<b>173,666,482</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows - Revenues	42,194,987	42,336,076	-	-	42,194,987	42,336,076
Pension	2,260,516	1,332,400	360,776	216,049	2,621,292	1,548,449
<b>Total Deferred Inflows</b>	<b>44,455,503</b>	<b>43,668,476</b>	<b>360,776</b>	<b>216,049</b>	<b>44,816,279</b>	<b>43,884,525</b>
<b>Net Position</b>						
Net Investment in Capital Assets	127,372,483	127,325,743	202,807,022	197,406,864	330,179,505	324,732,607
Restricted	130,432,664	122,208,976	-	-	130,432,664	122,208,976
Unrestricted	(11,782,157)	(10,410,312)	35,393,042	18,284,768	23,610,885	7,874,456
<b>Total Net Position</b>	<b>\$ 246,022,990</b>	<b>\$ 239,124,407</b>	<b>\$ 238,200,064</b>	<b>\$ 215,691,632</b>	<b>\$ 484,223,054</b>	<b>\$ 454,816,039</b>

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 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 No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 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 County part of a bargained-for benefit to the employee, and should accordingly be reported by the County, 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 County. 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.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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In accordance with GASB No. 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.

As a result of implementing GASB No. 68, the County is reporting a net pension liability and deferred outflows and inflows of resources related to pension on the accrual basis of accounting.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$484,223,054 (\$246,022,990 in governmental activities and \$238,200,064 in business type activities) as of December 31, 2016.

A large portion of the County's net position \$330,179,505 (68 percent) reflect its investment in capital assets (e.g., land, building, infrastructure and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of net position, \$130,432,664 (27 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$23,610,885 (5 percent), of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2016, the County is able to report positive balances in all three categories of net position as a whole, however, unrestricted governmental net position was negative due to the inclusion of the net pension liability. The County would have reported positive balances in all categories of net position in 2016 and 2015 without the inclusion of this liability.

Total assets increased \$18,102,183 which represented a 3 percent increase over 2015. Total assets of governmental activities increased \$12.3 million primarily due to an increase in cash and cash equivalents of \$15.0 million.

Total assets of business-type activities increased \$5.9 million primarily due to a \$5.3 million increase in capital assets.

# LAKE COUNTY, OHIO

## *Management's Discussion and Analysis For the Year Ended December 31, 2016 Unaudited*

Table 2 shows the changes in net position for the year ended December 31, 2016 and 2015.

**Table 2 - Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Program Revenues:</b>						
Charges for Services and Operating Assessments	\$26,429,611	\$21,488,417	\$42,662,932	\$41,514,531	\$69,092,543	\$63,002,948
Operating Grants, Contributions and Interest	31,707,532	33,619,912	0	50,454	31,707,532	33,670,366
Capital Grant and Contributions	2,364,529	2,477,392	2,785,230	2,720,548	5,149,759	5,197,940
<b>Total Program Revenues</b>	<b>60,501,672</b>	<b>57,585,721</b>	<b>45,448,162</b>	<b>44,285,533</b>	<b>105,949,834</b>	<b>101,871,254</b>
<b>General Revenues:</b>						
Property Taxes	44,968,946	43,910,929	-	-	44,968,946	43,910,929
Sales Tax	37,026,202	35,744,258	-	-	37,026,202	35,744,258
Conveyance Tax	3,096,530	3,136,858	-	-	3,096,530	3,136,858
Lodging Tax	935,029	923,883	-	-	935,029	923,883
Grants and Entitlements not Restricted	26,389,190	24,711,329	-	-	26,389,190	24,711,329
Investment Earnings	1,600,734	781,056	1,244	-	1,601,978	781,056
Miscellaneous	6,609,177	8,481,952	306,064	359,415	6,915,241	8,841,367
<b>Total General Revenues</b>	<b>120,625,808</b>	<b>117,690,265</b>	<b>307,308</b>	<b>359,415</b>	<b>120,933,116</b>	<b>118,049,680</b>
<b>Total Revenues</b>	<b>181,127,480</b>	<b>175,275,986</b>	<b>45,755,470</b>	<b>44,644,948</b>	<b>226,882,950</b>	<b>219,920,934</b>
<b>Program Expenses</b>						
General Government	20,667,322	19,487,446	-	-	20,667,322	19,487,446
Judicial and Public Safety	51,499,177	44,611,918	-	-	51,499,177	44,611,918
Public Works	19,091,306	12,767,422	-	-	19,091,306	12,767,422
Human Services	65,844,465	64,920,069	-	-	65,844,465	64,920,069
Health	13,730,140	12,679,138	-	-	13,730,140	12,679,138
Community & Econ. Development	2,788,561	1,949,162	-	-	2,788,561	1,949,162
Interest and Fiscal Charges	742,926	852,713	-	-	742,926	852,713
Water	-	-	15,360,674	14,023,991	15,360,674	14,023,991
Wastewater	-	-	16,851,029	16,261,436	16,851,029	16,261,436
Solid Waste	-	-	5,329,325	5,944,125	5,329,325	5,944,125
<b>Total Program Expenses</b>	<b>174,363,897</b>	<b>157,267,868</b>	<b>37,541,028</b>	<b>36,229,552</b>	<b>211,904,925</b>	<b>193,497,420</b>
Increase (Decrease) in Net Position Before Transfers & Special Item	6,763,583	18,008,118	8,214,442	8,415,396	14,978,025	26,423,514
Transfers	135,000	100,000	(135,000)	(100,000)	-	-
Special Item	-	-	14,428,990	-	14,428,990	-
<b>Change in Net Position</b>	<b>6,898,583</b>	<b>18,108,118</b>	<b>22,508,432</b>	<b>8,315,396</b>	<b>29,407,015</b>	<b>26,423,514</b>
Net Position - January 1	239,124,407	221,016,289	215,691,632	207,376,236	454,816,039	428,392,525
<b>Net Position - December 31</b>	<b>\$246,022,990</b>	<b>\$239,124,407</b>	<b>\$238,200,064</b>	<b>\$215,691,632</b>	<b>\$484,223,054</b>	<b>\$454,816,039</b>

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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Total governmental activities expenses increased from \$157,267,868 in 2015 to \$174,363,897 in 2016. Of the total \$174 million in governmental activities expenses, \$26,429,611 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions decreased from \$33,619,912 in 2015 to \$31,707,532 in 2016 due to a decrease in grants received. Property taxes increased slightly but remained almost the same as compared to 2015. In 2012, the County's 2.1 inside mills were reduced to 1.0 mills in conjunction with a one-half percent sales tax increase, which resulted in a 5 percent sales tax revenue increase. In January of 2012, the Board of Commissioners approved a one-half percent sales tax which became effective April 1, 2012 with the first collection of sales tax in July 2012. 2013 represented the first full year of the new sales tax rate. Real estate conveyance taxes decreased 1 percent as the local and national real estate sales market remained steady. Interest revenue increased by \$0.8 million from the prior year. Charges for services to users in the business-type activities amounted to \$42,662,932 and an additional \$2,785,230 was received during the year for grants and contributions for operating and capital expenses. These two revenue sources more than offset the \$37,541,028 in expenses for business-type activities.

The human services program is the largest program and accounted for \$65,844,465 of expenses for governmental activities, or 38 percent of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenses in the human services program increased by \$0.9 million, which was primarily due to expenditures for the DD Board increasing in 2016 as compared to 2015 because of an increase in payroll related expenditures. The judicial and public safety program and the general government program account for the largest number of departments and between these two functions, expenditures increased \$8.1 million in 2016 as compared to 2015, primarily due to an increase in health care costs. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized an increase in expenses of \$0.8 million. Interest and fiscal charges on debt amounted to \$0.7 million in 2016, which was consistent with 2015.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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## **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$152,757,149. \$15,146,273 of this total amount constitutes unassigned fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,191,241 while the total fund balance was \$36,733,657. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 30 percent of total General Fund expenditures, while total fund balance represents 73 percent of that same amount.

The fund balance of the County's General Fund increased by \$2.1 million during the current fiscal year. Overall General Fund revenues increased in 2016 by \$2.4 million as compared to the previous year. The primary reason for this increase is an increase in sales tax revenue and property tax revenue. These increases were offset by decreases in fees and charges for services revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$12.3 million during 2016.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$4.0 million primarily due to revenues continuing to outpace expenses. The fund balance of the ADAMHS Board Fund increased by \$0.5 million primarily because of increased revenues in 2016. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,579,438 in 2015 to \$2,456,046 in 2016.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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*Proprietary Funds:* The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Fund had unrestricted net position at the end of the year of \$11,677,075, which was an 8 percent decrease from 2015. This decrease was primarily due to a decreased cash position, which has a corresponding decrease on unrestricted net position, and the inclusion of the net pension liability of \$7,655,013. Unrestricted net position for the Wastewater Fund amounted to \$13,959,553 which was a 14 percent increase as compared to 2015. The Solid Waste Fund's unrestricted net position amounted to \$9,756,414 which is due to a reduction in the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. Operating revenues for all proprietary funds increased from \$41,831,590 to \$42,908,212, or nearly 3 percent, in 2016 as compared to 2015 while operating expenses also increased by \$1,637,869, or 5 percent. The revenue increase is primarily due to an increase in fees, permits, and tap-ins within the water and waste-water funds. The inclusion of the net pension liability and related deferred inflows/outflows were a significant factor in the increase of operating expenses.

## **General Fund Budgeting Highlights**

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues and other financing sources increased by \$8,734,770 as compared to the original budget for a total increase of 16 percent, primarily due to increases in the estimates for sales tax and intergovernmental revenue. Actual revenues received were \$1,117,209 more than the final certification.

Final budgeted expenditures and other financing uses increased from the original budget. However, actual expenditures and other financing uses were \$5,587,000 less than final budgeted appropriations, which amounted to a four percent reduction from the final expenditure budget. The final budgeted appropriations increase was due mostly to an increase in transfers out. The transfers were needed to promote economic development throughout the County.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

## Capital Assets and Debt Administration

### *Capital Assets:*

Table 3 shows 2016 values compared to 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,505,399	\$ 3,505,399	\$ 4,602,592	\$ 4,522,224	\$ 8,107,991	\$ 8,027,623
Construction in Progress	11,310,309	12,482,235	37,506,857	47,749,289	48,817,166	60,231,524
Land Improvements	217,763	242,777	61,443	74,013	279,206	316,790
Building & Other Structures	49,961,580	51,837,928	-	-	49,961,580	51,837,928
Furniture and Equipment	17,843,842	13,994,877	2,659,726	2,738,392	20,503,568	16,733,269
Infrastructure	64,015,960	66,017,437	-	-	64,015,960	66,017,437
Utility Plant in Service	-	-	188,450,394	172,893,794	188,450,394	172,893,794
Total Capital Assets	<u>\$ 146,854,853</u>	<u>\$ 148,080,653</u>	<u>\$ 233,281,012</u>	<u>\$ 227,977,712</u>	<u>\$ 380,135,865</u>	<u>\$ 376,058,365</u>

The County's investment in capital assets for its governmental and business type activities as of December 31, 2016, amount to \$330,179,505 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Road and bridge infrastructure improvements for the County Engineer's office totaling \$2.0 million.
- Border patrol and radar equipment totaling \$4.0 million.
- New vehicles, including four school busses, for the Board of Developmental Disabilities, totaling \$698,551.
- New road equipment and vehicles, including three dump trucks, for the County Engineer, totaling \$669,577.
- Seven new patrol cars for the Sheriff's department totaling \$233,895.
- New roof for the County Courthouse and Administration building totaling \$548,726.
- New utility lines and other infrastructure improvements for business-type activities totaling \$21.8 million.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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

## ***Debt***

Table 4 below summarizes the County's long-term obligations outstanding, excluding the net pension liability.

Table 4  
**Outstanding Long-term Obligations at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 10,380,000	\$ 11,325,000	\$ 2,434,384	\$ 2,572,303	\$ 12,814,384	\$ 13,897,303
Special Assessment Bonds	7,855,616	8,517,697	-	-	7,855,616	8,517,697
OWDA Loans	-	-	22,378,342	24,857,597	22,378,342	24,857,597
Other Long-term Liabilities	594,806	657,952	1,039,381	735,873	1,634,187	1,393,825
Capital Leases	651,948	254,261	-	-	651,948	254,261
Notes Payable	-	-	4,621,883	2,405,075	4,621,883	2,405,075
Unamortized Premium on Debt	549,844	555,953	-	-	549,844	555,953
Landfill Closure & Postclosure	-	-	8,196,062	22,625,052	8,196,062	22,625,052
Compensated Absences	10,678,670	10,395,284	1,636,668	1,596,272	12,315,338	11,991,556
	<u>\$ 30,710,884</u>	<u>\$ 31,706,147</u>	<u>\$ 40,306,720</u>	<u>\$ 54,792,172</u>	<u>\$ 71,017,604</u>	<u>\$ 86,498,319</u>

Of the debt outstanding at December 31, 2016, the general obligation bonds and notes are backed by the full faith and credit of the County and the special assessment bonds are debt that the County is liable for in the event of default by the property owner subject to the assessment. The Ohio Water Development Authority Loans (OWDA) are for water and wastewater utility improvements. The Other Long-term Liabilities are for water and wastewater utility improvements and road improvements. Capital leases are for the acquisition of capital assets which are paid for over the lease period. Compensated absences are unpaid leave benefits accumulated by County employees and are payable upon termination of employment, subject to certain restrictions.

Interest and fiscal charges amounted to 0.4 percent of expenses for governmental activities.

The County's governmental long-term general obligations, excluding the net pension liability, decreased by \$995,263, or 3 percent, in 2016. The long-term obligations for business-type activities, excluding the net pension liability, decreased by \$14,485,452, or 26 percent, during 2016. The County issued \$348,351 in Ohio Public Works Commission Loans and \$61,754 in Ohio Water Development Authority Loans during 2016 for business-type activities and a \$14.4 million reduction was recorded for the landfill closure and post-closure costs. During the year, the County retired \$2.4 million in business-type activities long-term notes and also issued \$4.6 million in business-type activities notes.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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The County maintains an “Aa1” credit rating from Moody’s Investor Services, Inc. The overall debt margin at December 31, 2016 was \$133.5 million with an unvoted total debt margin of \$47.4 million. Additional information on the County’s long-term debt can be found in Note H of this report.

## **Economic Factors and Next Year’s Budgets and Rates**

As previously stated, the fund balance in the General Fund increased in 2016 as a result of the sales tax revenue increase and increase in cash and cash equivalents. Due to the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. The Commissioners are reviewing all “non-statutorily” mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

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

As previously stated, the County’s returns on investments continued to suffer in 2016, as has been the case since 2007, due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$1.6 million in 2016.

Inflationary trends for the County fared favorably to national and state indices, but are still not very encouraging due to the state of the national economy. The unemployment rate for the County at the end of 2016 was 4.9 percent, which increased from 4.1 percent a year ago. The County’s rate compares unfavorably to the State average which was 4.8 percent and the Federal rate which was 4.7 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio who are facing significant financial hardships and budget reductions. The key factor is the County’s large retail market and its diversified commercial and industrial economic base. Residential new construction edged up again in 2016. The County is fortunate to have a fairly large amount of undeveloped land in the eastern and southern portions of the County which can hopefully house future new development once the economy improves.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited*

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## **Requests for Information**

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

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**LAKE COUNTY, OHIO**  
*Statement of Net Position*  
December 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 150,730,644	\$ 48,871,539	\$ 199,602,183	\$ 800,724	\$ 1,292,671
Receivables:					
Property Taxes	45,000,867	-	45,000,867	-	-
Sales Tax	6,027,594	-	6,027,594	-	-
Accounts	808,301	6,256,635	7,064,936	58,141	12,576
Unbilled Accounts	-	4,343,145	4,343,145	-	-
Other Assets and Receivables	-	-	-	-	24,650
Special Assessments	14,913,597	-	14,913,597	-	-
Accrued Interest	337,052	-	337,052	-	-
Due from Other Governments	16,388,298	-	16,388,298	-	-
Materials and Supplies Inventory	1,185,089	983,216	2,168,305	246	-
Internal Balances	6,283	(6,283)	-	-	-
Loans Receivable	590,479	-	590,479	-	-
Prepaid Items	224,956	49,707	274,663	15,645	10,890
Nondepreciable Capital Assets	14,815,708	42,109,449	56,925,157	-	8,456,146
Depreciable Capital Assets (Net)	132,039,145	191,171,563	323,210,708	6,926	2,616,675
<i>Total Assets</i>	<u>383,068,013</u>	<u>293,778,971</u>	<u>676,846,984</u>	<u>881,682</u>	<u>12,413,608</u>
<b>Deferred Outflows of Resources</b>					
Deferred Charge on Refunding	208,445	-	208,445	-	-
Ohio Public Employees Retirement System	34,896,349	6,252,541	41,148,890	-	122,530
State Teachers Retirement System	47,195	-	47,195	-	-
<i>Total Deferred Outflows of Resources</i>	<u>35,151,989</u>	<u>6,252,541</u>	<u>41,404,530</u>	<u>-</u>	<u>122,530</u>
<b>Liabilities</b>					
Accounts Payable	3,605,519	1,709,754	5,315,273	-	203,683
Contracts Payable	-	-	-	-	16,673
Accrued Wages and Benefits	1,365,162	188,694	1,553,856	16,381	-
Matured Compensated Absences Payable	182,200	-	182,200	-	-
Intergovernmental Payable	1,603,961	186,289	1,790,250	1,095	4,121
Accrued Interest Payable	55,645	39,154	94,799	-	1,689
Unearned Revenue	-	2,536,775	2,536,775	-	29,999
Other Payables	-	-	-	2,661	458,347
Retainage Payable	-	-	-	-	-
Customer Deposits	-	397,934	397,934	-	-
Claims Payable	172,016	-	172,016	-	-
Notes Payable	-	4,621,883	4,621,883	-	-
Long Term Liabilities:					
Due Within One Year	2,635,080	3,128,907	5,763,987	-	78,157
Due in More Than One Year:					
Net Pension Liability (OPERS)	89,418,053	16,105,352	105,523,405	-	309,294
Net Pension Liability (STRS)	628,069	-	628,069	-	-
Other Amounts Due in More than One Year	28,075,804	32,555,930	60,631,734	-	252,151
<i>Total Liabilities</i>	<u>127,741,509</u>	<u>61,470,672</u>	<u>189,212,181</u>	<u>20,137</u>	<u>1,354,114</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	42,194,987	-	42,194,987	-	-
Ohio Public Employees Retirement System	1,997,656	360,776	2,358,432	-	85,042
State Teachers Retirement System	262,860	-	262,860	-	-
<i>Total Deferred Inflows of Resources</i>	<u>44,455,503</u>	<u>360,776</u>	<u>44,816,279</u>	<u>-</u>	<u>85,042</u>
<b>Net Position</b>					
Net Investment in Capital Assets	127,372,483	202,807,022	330,179,505	6,926	10,742,513
Restricted for:					
Debt Service	11,311,078	-	11,311,078	-	-
Capital Projects	29,073,565	-	29,073,565	-	51,161
Other Purposes	7,080,349	-	7,080,349	14,485	17,098
Public Assistance/Human Services	43,884,215	-	43,884,215	-	-
Roads & Bridges	4,069,919	-	4,069,919	-	-
Health Programs	7,321,288	-	7,321,288	-	-
Judicial/Public Safety Grants/Programs	10,114,010	-	10,114,010	-	-
Economic Development	3,176,899	-	3,176,899	-	-
Children's Services Programs	2,937,461	-	2,937,461	-	-
Other Public Works Activity	11,463,880	-	11,463,880	-	-
Unrestricted (Deficit)	(11,782,157)	35,393,042	23,610,885	840,134	286,210
<i>Total Net Position</i>	<u>\$ 246,022,990</u>	<u>\$ 238,200,064</u>	<u>\$ 484,223,054</u>	<u>\$ 861,545</u>	<u>\$ 11,096,982</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 20,667,322	\$ 7,866,550	\$ -	\$ -
Judicial & Public Safety	51,499,177	10,754,966	3,102,603	476,147
Public Works	19,091,306	5,287,546	8,239,168	1,888,382
Human Services	65,844,465	1,780,056	14,532,021	-
Health	13,730,140	740,493	3,884,167	-
Community & Economic Development	2,788,561	-	1,949,573	-
Interest and Fiscal Charges	742,926	-	-	-
<i>Total Governmental Activities</i>	<u>174,363,897</u>	<u>26,429,611</u>	<u>31,707,532</u>	<u>2,364,529</u>
<b>Business-Type Activities</b>				
Water	15,360,674	17,216,989	-	1,219,948
Wastewater	16,851,029	18,884,592	-	1,565,282
Solid Waste	5,329,325	6,561,351	-	-
<i>Total Business-Type Activities</i>	<u>37,541,028</u>	<u>42,662,932</u>	<u>-</u>	<u>2,785,230</u>
<i>Total - Primary Government</i>	<u>\$ 211,904,925</u>	<u>\$ 69,092,543</u>	<u>\$ 31,707,532</u>	<u>\$ 5,149,759</u>
<b>Component Units</b>				
Workshop	\$ 657,149	\$ 513,823	\$ 143,808	\$ -
Port Authority	1,736,909	389,271	748,802	1,207,962
<i>Total - Component Units</i>	<u>\$ 2,394,058</u>	<u>\$ 903,094</u>	<u>\$ 892,610</u>	<u>\$ 1,207,962</u>

**General Revenues**

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

*Total General Revenues*

Special Item - Reduction in  
Landfill Closure Costs (See Note Q)

Special Item - Gain on Acquisition of Property

Net Transfers

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
\$ (12,800,772)	\$ -	\$ (12,800,772)	\$ -	\$ -
(37,165,461)	-	(37,165,461)	-	-
(3,676,210)	-	(3,676,210)	-	-
(49,532,388)	-	(49,532,388)	-	-
(9,105,480)	-	(9,105,480)	-	-
(838,988)	-	(838,988)	-	-
(742,926)	-	(742,926)	-	-
<u>(113,862,225)</u>	<u>-</u>	<u>(113,862,225)</u>	<u>-</u>	<u>-</u>
-	3,076,263	3,076,263	-	-
-	3,598,845	3,598,845	-	-
-	1,232,026	1,232,026	-	-
<u>-</u>	<u>7,907,134</u>	<u>7,907,134</u>	<u>-</u>	<u>-</u>
\$ (113,862,225)	\$ 7,907,134	\$ (105,955,091)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 482	\$ -
-	-	-	-	609,126
\$ -	\$ -	\$ -	\$ 482	\$ 609,126
5,106,046	-	5,106,046	-	-
23,772,482	-	23,772,482	-	-
8,086,264	-	8,086,264	-	-
3,074,791	-	3,074,791	-	-
1,079,560	-	1,079,560	-	-
1,322,903	-	1,322,903	-	-
2,526,900	-	2,526,900	-	-
37,026,202	-	37,026,202	-	-
3,096,530	-	3,096,530	-	-
935,029	-	935,029	-	-
26,389,190	-	26,389,190	-	-
1,600,734	1,244	1,601,978	11,916	-
6,609,177	306,064	6,915,241	-	20,520
<u>120,625,808</u>	<u>307,308</u>	<u>120,933,116</u>	<u>11,916</u>	<u>20,520</u>
-	14,428,990	14,428,990	-	-
-	-	-	-	638,540
135,000	(135,000)	-	-	-
6,898,583	22,508,432	29,407,015	12,398	1,268,186
<u>239,124,407</u>	<u>215,691,632</u>	<u>454,816,039</u>	<u>849,147</u>	<u>9,828,796</u>
\$ <u>246,022,990</u>	\$ <u>238,200,064</u>	\$ <u>484,223,054</u>	\$ <u>861,545</u>	\$ <u>11,096,982</u>

**LAKE COUNTY, OHIO**

*Balance Sheet  
Governmental Funds  
December 31, 2016*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 31,389,641	\$ 37,786,906	\$ 5,080,411	\$ 1,500,656	\$ 62,622,525	\$ 138,380,139
Receivables:						
Property Taxes	5,104,386	23,790,624	8,088,550	-	8,017,307	45,000,867
Sales Tax	6,027,594	-	-	-	-	6,027,594
Accounts	309,717	34,358	-	-	190,211	534,286
Special Assessments	-	-	-	9,810,422	5,103,175	14,913,597
Accrued Interest	335,666	-	-	-	1,386	337,052
Due from Other Funds	17,655	-	-	-	161,824	179,479
Due from Other Governments	988,959	922,595	2,028,407	-	12,413,093	16,353,054
Materials and Supplies Inventory	-	-	-	-	1,136,385	1,136,385
Interfund Receivable	58,160	-	-	-	-	58,160
Loans Receivable	-	-	-	-	590,479	590,479
Prepaid Items	145,594	33,740	8,906	-	36,608	224,848
<b>Total Assets</b>	<b>\$ 44,377,372</b>	<b>\$ 62,568,223</b>	<b>\$ 15,206,274</b>	<b>\$ 11,311,078</b>	<b>\$ 90,272,993</b>	<b>\$ 223,735,940</b>
<b>Liabilities</b>						
Accounts Payable	\$ 1,052,548	\$ 225,861	\$ 117,211	\$ -	\$ 2,120,547	\$ 3,516,167
Accrued Wages & Benefits	532,798	413,264	12,628	-	402,614	1,361,304
Matured Compensated Absences Payable	60,878	19,945	-	-	101,377	182,200
Due to Other Funds	104,242	-	190	-	111,373	215,805
Intergovernmental Payable	759,083	82,058	12,147	-	717,292	1,570,580
Interfund Payable	-	-	-	-	58,160	58,160
<b>Total Liabilities</b>	<b>2,509,549</b>	<b>741,128</b>	<b>142,176</b>	<b>-</b>	<b>3,511,363</b>	<b>6,904,216</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue - Property Taxes	301,632	1,478,138	482,611	-	543,499	2,805,880
Unavailable Revenue - Special Assessments	-	-	-	8,855,032	-	8,855,032
Unavailable Revenue - Intergovernmental	29,780	-	1,134,496	-	9,054,400	10,218,676
Deferred Inflows - Property Taxes	4,802,754	22,312,486	7,605,939	-	7,473,808	42,194,987
<b>Total Deferred Inflows of Resources</b>	<b>5,134,166</b>	<b>23,790,624</b>	<b>9,223,046</b>	<b>8,855,032</b>	<b>17,071,707</b>	<b>64,074,575</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	-	1,136,385	1,136,385
Prepaid Assets	145,594	33,740	8,906	-	36,608	224,848
Unclaimed Funds	700,400	-	-	-	-	700,400
Restricted for:						
Other Purposes	-	-	-	-	5,270,784	5,270,784
Debt Service	-	-	-	2,456,046	-	2,456,046
Capital Projects	-	-	-	-	29,073,565	29,073,565
Public Assistance/Human Services	-	38,002,731	-	-	2,064,168	40,066,899
Roads & Bridges	-	-	-	-	3,320,051	3,320,051
Health Programs	-	-	5,832,146	-	-	5,832,146
Judicial/Public Safety/Grant Programs	-	-	-	-	9,503,015	9,503,015
Economic Development	-	-	-	-	3,245,308	3,245,308
Children's Services	-	-	-	-	2,622,772	2,622,772
General Government Operations	-	-	-	-	1,785,171	1,785,171
Public Works	-	-	-	-	11,677,064	11,677,064
Committed for:						
Central Communications	2,384,902	-	-	-	-	2,384,902
Budget Stabilization	9,042,400	-	-	-	-	9,042,400
Employee Payroll	8,500,000	-	-	-	-	8,500,000
Assigned for:						
Encumbrances	286,731	-	-	-	-	286,731
Claimants	482,389	-	-	-	-	482,389
Unassigned (Deficit)	15,191,241	-	-	-	(44,968)	15,146,273
<b>Total Fund Balances</b>	<b>36,733,657</b>	<b>38,036,471</b>	<b>5,841,052</b>	<b>2,456,046</b>	<b>69,689,923</b>	<b>152,757,149</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 44,377,372</b>	<b>\$ 62,568,223</b>	<b>\$ 15,206,274</b>	<b>\$ 11,311,078</b>	<b>\$ 90,272,993</b>	<b>\$ 223,735,940</b>

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

**LAKE COUNTY, OHIO**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2016*

<b>Total Governmental Fund Balances</b>	\$	152,757,149
<i>Amounts reported for governmental activities in 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		146,836,814
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property & Other Local Taxes	2,805,880	
Special Assessments	8,855,032	
Intergovernmental	10,218,676	
Total		21,879,588
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(55,645)
Certain debt charges reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
Deferred Outflow on Refunded Bonds		208,445
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
OPERS	34,703,370	
STRS	47,195	
Total		34,750,565
Deferred inflows of resources related to pensions:		
OPERS	(1,986,521)	
STRS	(262,860)	
Total		(2,249,381)
Internal service funds are used by management to charge the costs of insurance and other expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net Position	12,452,578	
Capital Assets	18,039	
Compensated Absences	(46,846)	
Net Pension Liability - OPERS	(497,079)	
Deferred outflows of resources - OPERS	192,979	
Deferred inflows of resources - OPERS	(11,135)	
Total		12,108,536
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(10,380,000)	
Special Assessment Bonds	(7,855,616)	
Other Long-Term Liabilities	(594,806)	
Unamortized Premium on Bonds	(549,844)	
Capital Leases	(651,948)	
Compensated Absences	(10,631,824)	
Net Pension Liability - OPERS	(88,920,974)	
Net Pension Liability - STRS	(628,069)	
Total		(120,213,081)
Net Position of Governmental Activities	\$	246,022,990

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 5,202,952	\$ 24,247,367	\$ 8,241,314	\$ -	\$ 8,178,766	\$ 45,870,399
Sales Tax	37,026,202	-	-	-	-	37,026,202
Conveyance & Other Local Taxes	3,096,530	-	-	-	935,029	4,031,559
Fees & Charges for Services	7,583,922	-	-	-	10,884,922	18,468,844
Licenses & Permits	762,269	-	-	-	1,182,741	1,945,010
Fines & Forfeitures	152,333	-	-	-	1,191,575	1,343,908
Intergovernmental	6,605,597	16,136,676	5,326,136	-	30,629,377	58,697,786
Special Assessments	-	-	-	908,938	5,114,216	6,023,154
Interest	1,592,119	-	-	-	8,615	1,600,734
Contributions & Donations	-	-	-	-	175,400	175,400
Miscellaneous	2,286,455	1,333,940	122,579	-	2,866,203	6,609,177
<i>Total Revenues</i>	<u>64,308,379</u>	<u>41,717,983</u>	<u>13,690,029</u>	<u>908,938</u>	<u>61,166,844</u>	<u>181,792,173</u>
<b>Expenditures</b>						
Current:						
General Government	13,326,410	-	-	-	6,341,997	19,668,407
Judicial & Public Safety	35,400,923	-	-	-	11,417,628	46,818,551
Public Works	169,259	-	-	-	15,036,953	15,206,212
Human Services	1,133,088	37,681,457	-	-	26,581,080	65,395,625
Health	95,687	-	13,231,104	-	566,769	13,893,560
Community & Economic Development	-	-	-	-	2,800,234	2,800,234
Capital Outlay	-	-	-	-	4,877,838	4,877,838
Debt Service:						
Principal Retirement	-	-	-	662,081	1,156,116	1,818,197
Interest and Fiscal Charges	-	-	-	370,249	379,671	749,920
<i>Total Expenditures</i>	<u>50,125,367</u>	<u>37,681,457</u>	<u>13,231,104</u>	<u>1,032,330</u>	<u>69,158,286</u>	<u>171,228,544</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>14,183,012</u>	<u>4,036,526</u>	<u>458,925</u>	<u>(123,392)</u>	<u>(7,991,442)</u>	<u>10,563,629</u>
<b>Other Financing Sources (Uses)</b>						
Inception of Capital Lease	-	-	-	-	543,657	543,657
Proceeds from OPWC Loan	-	-	-	-	2,000	2,000
Proceeds from Sale of Capital Assets	21,562	-	-	-	24,099	45,661
Transfers In	200,000	-	-	-	17,747,435	17,947,435
Transfers Out	(12,305,427)	-	-	-	(5,527,008)	(17,832,435)
<i>Total Financing Sources (Uses)</i>	<u>(12,083,865)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,790,183</u>	<u>706,318</u>
<i>Net Change in Fund Balance</i>	2,099,147	4,036,526	458,925	(123,392)	4,798,741	11,269,947
<i>Fund Balance Beginning of Year</i>	<u>34,634,510</u>	<u>33,999,945</u>	<u>5,382,127</u>	<u>2,579,438</u>	<u>64,891,182</u>	<u>141,487,202</u>
<i>Fund Balance End of Year</i>	<u>\$ 36,733,657</u>	<u>\$ 38,036,471</u>	<u>\$ 5,841,052</u>	<u>\$ 2,456,046</u>	<u>\$ 69,689,923</u>	<u>\$ 152,757,149</u>

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

**LAKE COUNTY, OHIO**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$ 11,269,947
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Asset Additions	7,922,624	
Current Year Depreciation	<u>(8,880,461)</u>	
Total		(957,837)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(286,002)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property & Other Local Taxes	(901,453)	
Special Assessments	(887,850)	
Intergovernmental	<u>1,124,610</u>	
Total		(664,693)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
G.O. Bonds	945,000	
S.A. Bonds	662,081	
OPWC Loans	65,146	
Capital Leases	<u>145,970</u>	
Total		1,818,197
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports the impact as deferred outflows.		
Direct pension contributions		
OPERS	(3,865,099)	
STRS	<u>(963)</u>	
Total		(3,866,062)
Except for amounts reported as deferred inflows/outflows, changes in net pension liability impact pension expense in the statement of activities.		
OPERS	(599,014)	
STRS	<u>38,441</u>	
Total		(560,573)
The internal service funds used by management to charge the costs of insurance and other expenses to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		
Change in Net Position	824,153	
Deferred outflows of resources - OPERS	129,930	
Deferred inflows of resources - OPERS	(4,467)	
Capital Asset Additions	21,046	
Current Year Depreciation	(3,007)	
Compensated Absences	<u>(15,693)</u>	
Total		951,962
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(267,693)
Governmental funds report premiums and deferred outflows as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Deferred Outflow on Refunded Bonds	(23,597)	
Amortization of Bond Premiums	<u>6,109</u>	
Total		(17,488)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		<u>24,482</u>
Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.		
OPWC Loan Issued	(2,000)	
Inception of Capital Lease	<u>(543,657)</u>	
Total		(545,657)
Change in Net Position of Governmental Activities		<u>\$ 6,898,583</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 4,700,000	\$ 5,200,000	\$ 5,202,952	\$ 2,952
Sales Tax	32,500,000	36,800,000	36,896,883	96,883
Conveyance & Other Local Taxes	2,800,600	3,062,000	3,096,530	34,530
Fees & Charges for Services	5,493,795	5,386,695	5,646,491	259,796
Licenses & Permits	584,500	771,000	758,742	(12,258)
Fines & Forfeitures	165,000	161,000	156,589	(4,411)
Intergovernmental	5,031,000	6,398,250	6,512,188	113,938
Interest	1,000,000	1,425,000	1,430,596	5,596
Miscellaneous	1,995,000	2,513,720	2,499,616	(14,104)
<i>Total Revenues</i>	<u>54,269,895</u>	<u>61,717,665</u>	<u>62,200,587</u>	<u>482,922</u>
<b>Expenditures</b>				
Current:				
General Government	16,248,610	14,778,967	13,177,904	1,601,063
Judicial & Public Safety	34,063,428	35,082,704	33,805,081	1,277,623
Public Works	167,738	167,610	166,152	1,458
Human Services	1,344,343	1,344,054	1,129,867	214,187
Health	83,001	28,701	23,690	5,011
<i>Total Expenditures</i>	<u>51,907,120</u>	<u>51,402,036</u>	<u>48,302,694</u>	<u>3,099,342</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,362,775</u>	<u>10,315,629</u>	<u>13,897,893</u>	<u>3,582,264</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,000	35,000	21,562	(13,438)
Advances In	10,000	17,000	19,542	2,542
Transfers In	450,000	1,700,000	200,000	(1,500,000)
Transfers Out	(3,505,289)	(14,793,085)	(12,305,427)	2,487,658
<i>Total Other Financing Sources (Uses)</i>	<u>(3,040,289)</u>	<u>(13,041,085)</u>	<u>(12,064,323)</u>	<u>976,762</u>
<i>Net Change in Fund Balance</i>	(677,514)	(2,725,456)	1,833,570	4,559,026
<i>Fund Balance Beginning of Year</i>	24,803,336	24,803,336	24,803,336	-
Prior Year Encumbrances Appropriated	437,826	437,826	437,826	-
<i>Fund Balance End of Year</i>	<u>\$ 24,563,648</u>	<u>\$ 22,515,706</u>	<u>\$ 27,074,732</u>	<u>\$ 4,559,026</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Developmental Disabilities Board Fund  
 For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 24,675,000	\$ 24,119,039	\$ 24,247,367	\$ 128,328
Intergovernmental	16,098,036	16,152,944	17,304,277	1,151,333
Contributions & Donations	6,800	5,300	-	(5,300)
Miscellaneous	1,030,525	1,110,911	1,315,360	204,449
<i>Total Revenues</i>	<u>41,810,361</u>	<u>41,388,194</u>	<u>42,867,004</u>	<u>1,478,810</u>
<b>Expenditures</b>				
Current:				
Human Services	40,369,743	40,357,377	37,706,843	2,650,534
Capital Outlay	91,395	91,395	-	91,395
<i>Total Expenditures</i>	<u>40,461,138</u>	<u>40,448,772</u>	<u>37,706,843</u>	<u>2,741,929</u>
<i>Net Change in Fund Balance</i>	1,349,223	939,422	5,160,161	4,220,739
<i>Fund Balance Beginning of Year</i>	32,612,834	32,612,834	32,612,834	-
Prior Year Encumbrances Appropriated	<u>12,532</u>	<u>12,532</u>	<u>12,532</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 33,974,589</u>	<u>\$ 33,564,788</u>	<u>\$ 37,785,527</u>	<u>\$ 4,220,739</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
*Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 8,400,000	\$ 8,400,000	\$ 8,241,314	\$ (158,686)
Intergovernmental	8,772,382	8,785,382	4,995,193	(3,790,189)
Miscellaneous	300,000	300,000	122,579	(177,421)
<i>Total Revenues</i>	<u>17,472,382</u>	<u>17,485,382</u>	<u>13,359,086</u>	<u>(4,126,296)</u>
<b>Expenditures</b>				
Current:				
Health	13,715,124	14,987,224	13,527,328	1,459,896
Capital Outlay	258,500	1,286,000	-	1,286,000
<i>Total Expenditures</i>	<u>13,973,624</u>	<u>16,273,224</u>	<u>13,527,328</u>	<u>2,745,896</u>
<i>Net Change in Fund Balance</i>	3,498,758	1,212,158	(168,242)	(1,380,400)
<i>Fund Balance Beginning of Year</i>	4,912,200	4,912,200	4,912,200	-
Prior Year Encumbrances Appropriated	10,556	10,556	10,556	-
<i>Fund Balance End of Year</i>	<u>\$ 8,421,514</u>	<u>\$ 6,134,914</u>	<u>\$ 4,754,514</u>	<u>\$ (1,380,400)</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2016*

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service Funds
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 15,081,507	\$ 16,081,028	\$ 17,709,004	\$ 48,871,539	\$ 12,350,505
Net Receivables:					
Accounts	2,729,785	2,702,290	824,560	6,256,635	274,015
Unbilled Accounts	1,806,436	2,536,709	-	4,343,145	-
Due from Other Funds	-	-	-	-	42,679
Due from Other Governments	-	-	-	-	35,244
Prepaid Items	22,151	23,910	3,646	49,707	108
Materials and Supplies Inventory	485,724	494,580	2,912	983,216	48,704
<i>Total Current Assets</i>	<u>20,125,603</u>	<u>21,838,517</u>	<u>18,540,122</u>	<u>60,504,242</u>	<u>12,751,255</u>
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,798,825	4,602,592	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	159,470,982	238,504,735	22,631,432	420,607,149	-
Furniture, Fixtures & Equipment	4,523,150	5,611,742	995,837	11,130,729	33,036
Less: Accumulated Depreciation	(93,791,540)	(134,819,532)	(12,339,066)	(240,950,138)	(14,997)
Construction in Progress	13,972,159	23,534,698	-	37,506,857	-
<i>Total Noncurrent Assets</i>	<u>85,566,486</u>	<u>134,368,182</u>	<u>13,346,344</u>	<u>233,281,012</u>	<u>18,039</u>
<i>Total Assets</i>	<u>105,692,089</u>	<u>156,206,699</u>	<u>31,886,466</u>	<u>293,785,254</u>	<u>12,769,294</u>
<b>Deferred Outflows of Resources</b>					
Ohio Public Employees Retirement System	2,971,887	3,087,675	192,979	6,252,541	192,979
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	1,152,563	362,942	194,249	1,709,754	89,352
Accrued Wages & Benefits	88,788	93,025	6,881	188,694	3,858
Accrued Interest Payable	31,437	7,717	-	39,154	-
Unearned Revenue	1,151,125	1,385,650	-	2,536,775	-
Due to Other Funds	4,035	2,104	143	6,282	70
Due to Other Governments	84,199	95,379	6,712	186,290	33,381
Claims Payable	-	-	-	-	172,016
Customer Deposits	216,980	180,954	-	397,934	-
Notes Payable	4,621,883	-	-	4,621,883	-
Compensated Absences Payable - Current	65,465	53,554	4,877	123,896	3,546
OWDA Loans Payable - Current	-	2,791,497	-	2,791,497	-
General Obligation Bonds Payable - Current	-	145,814	-	145,814	-
Other Long-Term Debt Payable - Current	16,688	51,012	-	67,700	-
<i>Total Current Liabilities</i>	<u>7,433,163</u>	<u>5,169,648</u>	<u>212,862</u>	<u>12,815,673</u>	<u>302,223</u>
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	799,330	653,893	59,549	1,512,772	43,300
OWDA Loans Payable	-	19,586,845	-	19,586,845	-
General Obligation Bonds Payable	-	2,288,570	-	2,288,570	-
Other Long-Term Debt Payable	350,456	621,225	-	971,681	-
Net Pension Liability - OPERS	7,655,013	7,953,260	497,079	16,105,352	497,079
Landfill Closure & Post-Closure Costs	-	-	8,196,062	8,196,062	-
<i>Total Long-Term Liabilities</i>	<u>8,804,799</u>	<u>31,103,793</u>	<u>8,752,690</u>	<u>48,661,282</u>	<u>540,379</u>
<i>Total Liabilities</i>	<u>16,237,962</u>	<u>36,273,441</u>	<u>8,965,552</u>	<u>61,476,955</u>	<u>842,602</u>
<b>Deferred Inflows of Resources</b>					
Ohio Public Employees Retirement System	171,480	178,161	11,135	360,776	11,135
<b>Net Position</b>					
Net Investment in Capital Assets	80,577,459	108,883,219	13,346,344	202,807,022	18,039
Unrestricted	11,677,075	13,959,553	9,756,414	35,393,042	12,090,497
<i>Total Net Position</i>	<u>\$ 92,254,534</u>	<u>\$ 122,842,772</u>	<u>\$ 23,102,758</u>	<u>\$ 238,200,064</u>	<u>\$ 12,108,536</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2016*

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Operating Revenues</b>					
Water Sales	\$ 16,539,620	\$ -	\$ -	\$ 16,539,620	\$ -
Sewer Charges	-	17,045,832	-	17,045,832	-
Fees, Permits & Tap-Ins	107,260	167,145	-	274,405	-
Charges for Services	570,109	1,671,615	6,561,351	8,803,075	23,169,795
Other Operating Revenues	137,640	101,707	5,933	245,280	16,713
<i>Total Operating Revenues</i>	<u>17,354,629</u>	<u>18,986,299</u>	<u>6,567,284</u>	<u>42,908,212</u>	<u>23,186,508</u>
<b>Operating Expenses</b>					
Personal Services	7,060,402	7,300,676	553,317	14,914,395	301,218
Contractual Services	1,217,104	1,324,018	2,570,644	5,111,766	522,933
Materials & Supplies	2,715,676	1,107,770	38,554	3,862,000	586,594
Other Operating Expenses	1,696,489	2,234,613	1,323,368	5,254,470	1,864,967
Depreciation Expense	2,648,546	4,150,066	843,442	7,642,054	3,007
Insurance Claims	-	-	-	-	18,975,827
<i>Total Operating Expenses</i>	<u>15,338,217</u>	<u>16,117,143</u>	<u>5,329,325</u>	<u>36,784,685</u>	<u>22,254,546</u>
<i>Operating Income (Loss)</i>	<u>2,016,412</u>	<u>2,869,156</u>	<u>1,237,959</u>	<u>6,123,527</u>	<u>931,962</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	1,244	-	-	1,244	-
Other Non-Operating Revenues	19,125	25,038	16,621	60,784	-
Interest and Fiscal Charges	(22,447)	(733,896)	-	(756,343)	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(2,078)</u>	<u>(708,858)</u>	<u>16,621</u>	<u>(694,315)</u>	<u>-</u>
<i>Income (Loss) Before Contributions, Transfers &amp; Special Item</i>	<u>2,014,334</u>	<u>2,160,298</u>	<u>1,254,580</u>	<u>5,429,212</u>	<u>931,962</u>
Grants & Contributed Capital	1,219,948	1,565,282	-	2,785,230	-
Transfers In	-	-	-	-	20,000
Transfers Out	(135,000)	-	-	(135,000)	-
Special Item - Reduction in Landfill Closure Costs	-	-	14,428,990	14,428,990	-
<i>Change in Net Position</i>	<u>3,099,282</u>	<u>3,725,580</u>	<u>15,683,570</u>	<u>22,508,432</u>	<u>951,962</u>
<i>Net Position Beginning of Year</i>	<u>89,155,252</u>	<u>119,117,192</u>	<u>7,419,188</u>	<u>215,691,632</u>	<u>11,156,574</u>
<i>Net Position End of Year</i>	<u>\$ 92,254,534</u>	<u>\$ 122,842,772</u>	<u>\$ 23,102,758</u>	<u>\$ 238,200,064</u>	<u>\$ 12,108,536</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Cash Flows From Operating Activities:</b>					
Cash Received from Customers	\$ 17,091,371	\$ 18,654,806	\$ 6,717,005	\$ 42,463,182	\$ 23,273,715
Other Operating Revenues	137,640	101,707	5,933	245,280	17,782
Cash Paid to Suppliers	(1,581,800)	(1,157,850)	(36,279)	(2,775,929)	(611,293)
Cash Paid to Employees	(6,677,344)	(6,832,989)	(518,918)	(14,029,251)	(259,916)
Cash Paid for Contractual Services	(1,505,304)	(1,305,644)	(2,580,553)	(5,391,501)	(351,505)
Cash Paid for Other Operating Expenses	(1,752,457)	(2,165,151)	(1,434,562)	(5,352,170)	(1,781,977)
Cash Paid for Claims	-	-	-	-	(19,159,838)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>5,712,106</u>	<u>7,294,879</u>	<u>2,152,626</u>	<u>15,159,611</u>	<u>1,126,968</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Transfers In	-	-	-	-	20,000
Transfers Out	(135,000)	-	-	(135,000)	-
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(135,000)</u>	<u>-</u>	<u>-</u>	<u>(135,000)</u>	<u>20,000</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds of OPWC Loans	98,381	249,970	-	348,351	-
Proceeds of OWDA Loans	-	61,754	-	61,754	-
Proceeds of Notes	4,620,000	-	-	4,620,000	-
Premium on Note Issuance	3,765	-	-	3,765	-
Cash Received from Capital Grants	-	-	-	-	-
Cash Received from Disposal of Capital Assets	19,125	25,038	16,621	60,784	-
Payment for Capital Acquisitions	(9,079,397)	(3,225,590)	(171,226)	(12,476,213)	(21,046)
Principal Paid on Debt	(2,408,353)	(2,715,418)	-	(5,123,771)	-
Interest Paid on Debt	(23,867)	(734,381)	-	(758,248)	-
Capital Contributed by Customers	23,426	2,276	-	25,702	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(6,746,920)</u>	<u>(6,336,351)</u>	<u>(154,605)</u>	<u>(13,237,876)</u>	<u>(21,046)</u>
<b>Cash Flows From Investing Activities</b>					
Interest on Investments	1,244	-	-	1,244	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(1,168,570)</u>	<u>958,528</u>	<u>1,998,021</u>	<u>1,787,979</u>	<u>1,125,922</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>16,250,077</u>	<u>15,122,500</u>	<u>15,710,983</u>	<u>47,083,560</u>	<u>11,224,583</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 15,081,507</u>	<u>\$ 16,081,028</u>	<u>\$ 17,709,004</u>	<u>\$ 48,871,539</u>	<u>\$ 12,350,505</u>

(Continued)

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds (Continued)*  
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Income (Loss)	\$ 2,016,412	\$ 2,869,156	\$ 1,237,959	\$ 6,123,527	\$ 931,962
Adjustments:					
Depreciation	2,648,546	4,150,066	843,442	7,642,054	3,007
(Increase) Decrease in Assets & Deferred Outflows:					
Accounts Receivable	(32,561)	(80,829)	155,654	42,264	(43,533)
Unbilled Accounts Receivable	(37,042)	(22,264)	-	(59,306)	-
Inventory	1,154,359	(41,227)	388	1,113,520	(16,975)
Due from Other Funds	-	-	-	-	18,130
Due from Other Governments	-	-	-	-	130,377
Prepaid Items	(991)	(146)	(135)	(1,272)	14
Deferred Outflows - OPERS	(2,000,913)	(2,078,871)	(129,930)	(4,209,714)	(129,930)
Increase (Decrease) in Liabilities & Deferred Inflows:					
Accounts Payable	914,824	81,268	(16,734)	979,358	40,225
Accrued Wages	20,681	22,432	519	43,632	948
Due to Other Funds	(532)	1,081	(48)	501	(264)
Due to Other Governments	(1,274,839)	84	(101,932)	(1,376,687)	29,497
Compensated Absences Payable	(18,289)	49,688	8,997	40,396	15,693
Customer Deposits	(56,015)	(126,693)	-	(182,708)	-
Claims Payable	-	-	-	-	(6,629)
Net Pension Liability	2,309,676	2,399,664	149,979	4,859,319	149,979
Deferred Inflows - OPERS	68,790	71,470	4,467	144,727	4,467
<i>Total Adjustments</i>	<u>3,695,694</u>	<u>4,425,723</u>	<u>914,667</u>	<u>9,036,084</u>	<u>195,006</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 5,712,106</u>	<u>\$ 7,294,879</u>	<u>\$ 2,152,626</u>	<u>\$ 15,159,611</u>	<u>\$ 1,126,968</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2016*

	Agency
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 31,615,545
Cash and Cash Equivalents - Non-Pooled Cash	6,065,792
Receivables:	
Taxes	312,059,997
Special Assessments	9,817,378
Due from Other Governments	1,675,703
<i>Total Assets</i>	\$ 361,234,415
 <b>Liabilities:</b>	
Due to Other Governments	\$ 345,013,209
Other Liabilities	16,221,206
<i>Total Liabilities</i>	\$ 361,234,415

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE A – DESCRIPTION OF LAKE COUNTY**

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

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

**REPORTING ENTITY**

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

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

**Discretely Presented Component Units**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

DEEPWOOD INDUSTRIES, INC. (the Workshop)

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY (the Port Authority)

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

**REPORTING ENTITY (Continued)**

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

**Related Organizations**

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

**LAKE METROPARKS**

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

**LAKELAND COMMUNITY COLLEGE**

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

**LAKETRAN**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

REPORTING ENTITY (Continued)

LAKE COUNTY LIBRARY DISTRICT

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

LAKE HEALTH

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

Jointly Governed Organizations

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

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM FACILITY (NEOCAP)

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

NORTHEAST OHIO NETWORK (NEON)

NEON is a council of governments formed to provide a regional effort in administering, managing, and operating programs for certain individuals with developmental disabilities. Participating counties include Geauga, Ashland, Ashtabula, Cuyahoga, Columbiana, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. NEON's operation is controlled by their Board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. NEON adopts its own budget, authorizes expenditures and hires and fires its own staff. During 2016, NEON received sufficient revenues from State grant monies and no additional funds were needed from Lake County.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

Jointly Governed Organizations (Continued)

*NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)*

Northeast Ohio Areawide Coordinating Agency NOACA was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. In 2016, the County did not contribute to NOACA.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**BASIS OF PRESENTATION**

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

**Government-wide Financial Statements**

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BASIS OF PRESENTATION (Continued)

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

Fund Financial Statements

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

FUND ACCOUNTING

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

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

Governmental Funds

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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

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

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

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

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

Proprietary Funds:

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

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Funds:

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

MEASUREMENT FOCUS

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and 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 (e.g., revenues) and decreases (e.g., expenses) in total net position.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MEASUREMENT FOCUS (Continued)

Fund Financial Statements

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

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

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

BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues - Exchange and Non-exchange Transactions (Continued)

Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days of year-end.

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations.

These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the statements of net position (see Note J).

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Expenses/Expenditures

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

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

BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2016.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGETARY PROCESS (Continued)**

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Commissioners during the year.

**Tax Budget**

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

**Estimated Resources**

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2016.

**Appropriations**

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BUDGETARY PROCESS (Continued)

Budgeted Level of Expenditures

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

Lapsing of Appropriations

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

Encumbrances

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

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations, commercial paper and municipal bonds. Inactive funds are invested in certificates of deposit, and the State Treasurer’s Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General Fund in 2016 totaled \$1,592,119, which includes \$1,308,563 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**POOLED CASH AND CASH EQUIVALENTS (Continued)**

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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79’ “Certain External Investment Pools and Pool Participants.” The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

**INVENTORY OF SUPPLIES**

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

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

**INTERFUND RECEIVABLES**

Non-current portions of long-term interfund loan receivables are reported as interfund receivables and are offset by a nonspendable fund balance. Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTERFUND BALANCES**

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

**CAPITAL ASSETS**

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

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITALIZATION OF INTEREST**

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalization interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated life of the asset. Total interest capitalized in 2016 and included in construction-in-progress for the Enterprise Funds was \$36,904.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

**COMPENSATED ABSENCES**

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND BALANCE**

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County Commissioners, which may be expressed by a motion but need not be passed by formal action, such as a resolution.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**NET POSITION**

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

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

**OPERATING REVENUES AND EXPENSES**

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

**INTERFUND TRANSACTIONS**

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

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

**SPECIAL AND EXTRAORDINARY 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 control of the County and that are either unusual in nature or infrequent in occurrence.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BOND PREMIUM**

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

**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.

**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.

**NOTE C – CHANGE IN ACCOUNTING PRINCIPLES**

For 2016, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Benefits Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 79, “Certain External Investment Pools and Pool Participants”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the County.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE C – CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the County.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the County.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the County.

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

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the County’s fiscal year 2016 financial statements; however, there was no effect on beginning net position.

**NOTE D – BUDGETARY BASIS OF ACCOUNTING**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE D – BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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

**Net Change in Fund Balance**  
**General and Major Special Revenue Funds**

	General	DD Board	ADAMHS Board
GAAP Basis	\$2,099,147	\$4,036,526	\$458,925
Net Adjustment for Revenue Accruals	(171,148)	1,175,330	(321,873)
Advances In	19,542	0	0
Beginning Fair Value Adjustment	220,019	0	0
Ending Fair Value Adjustment	(106,565)	0	0
Net Adjustment for Expenditure Accruals	607,091	(50,316)	20,603
Adjustment for Funds Budgeted as Special Revenue	(482,096)	0	0
Adjustment for Encumbrances	(352,420)	(1,379)	(325,897)
Budget Basis	<u>\$1,833,570</u>	<u>\$5,160,161</u>	<u>(\$168,242)</u>

**NOTE E – DEPOSITS AND INVESTMENTS**

**PRIMARY GOVERNMENT**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (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 with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States; or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (CONTINUED)**

8. Up to twenty-five percent of the County's average portfolio in Commercial paper notes in entities incorporated under the laws of Ohio, or any other State, that have assets exceeding five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase.
9. Fifteen percent of the County's total average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
10. No-load money market mutual fund rated in the highest category at the time of purchase;
11. One percent of the County's average portfolio in debt interest rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (CONTINUED)**

**DEPOSITS**

*Custodial Credit Risk*

At December 31, 2016, the carrying amount of the County’s deposits was \$102,901,529. Based on the criteria described in GASB 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2016, \$103,268,074 of the County’s bank balance of \$105,899,226 was exposed to custodial risk as discussed below, while \$2,631,152 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

**INVESTMENTS**

As of December 31, 2016, the County had \$40,157,978 invested in STAR Ohio. The County’s investments are valued using quoted market prices (level 1 inputs).

Investments are reported at fair value. As of December 31, 2016, the County had the following investments:

<u>Investment Type</u>	<u>Less than six months</u>	<u>Investment Maturities</u>		<u>Total</u>
		<u>Less Than One Year</u>	<u>More Than One Year But Less Than Three Years</u>	
Federal Farm Credit Bank	\$ -	\$ -	\$ 3,982,060	\$ 3,982,060
Federal Home Loan Bank Notes	-	-	5,236,116	5,236,116
Federal Home Loan Mortgage Corporation	-	2,997,330	14,406,899	17,404,229
Federal National Mortgage Association	-	-	11,860,800	11,860,800
Commercial Paper	43,831,696	4,329,534	-	48,161,230
Municipal & Ohio Entities	-	1,311,342	6,268,236	7,579,578
STAROhio	40,157,978	-	-	40,157,978
<b>Total Portfolio</b>	<b>\$ 83,989,674</b>	<b>\$ 8,638,206</b>	<b>\$ 41,754,111</b>	<b>\$ 134,381,991</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The County places no limit on the amount it may invest in any one issuer. The following is the County’s allocation as of December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Farm Credit Bank Bonds	\$ 3,982,060	3.0%
Federal Home Loan Bank Notes	5,236,116	3.9%
Federal Home Loan Mortgage Corporation	17,404,229	13.0%
Federal National Mortgage Association	11,860,800	8.8%
Municipal - Ohio Entities	7,579,578	5.6%
Commercial Paper	48,161,230	35.8%
STAROhio	40,157,978	29.9%
Total Investments	<u>\$ 134,381,991</u>	<u>100.0%</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**COMPONENT UNITS**

At December 31, 2016, the carrying amount of Deepwood Industries, Inc. Workshop’s deposits was \$800,724. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2016, none of the Workshop’s bank balance of \$178,392 was exposed to custodial risk, meaning all was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2016, the carrying amount of the Lake County Port Authority’s deposits was \$792,551, none of which was cash on hand. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2016, \$499,661 of the Port Authority’s bank balance of \$848,402 was exposed to custodial risk, meaning \$348,741 was covered by the Federal Depository Insurance Corporation. The Port Authority also invested \$500,120 in STAR Ohio.

**NOTE F – CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 01/01/2016	Additions	Deletions	Balance 12/31/2016
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,505,399	\$ -	\$ -	\$ 3,505,399
Construction in Progress	12,482,235	3,410,908	(4,582,834)	11,310,309
<i>Total Capital Assets Not Being Depreciated</i>	<u>15,987,634</u>	<u>3,410,908</u>	<u>(4,582,834)</u>	<u>14,815,708</u>
<i>Capital Assets, Being Depreciated:</i>				
Land improvements	932,753	-	-	932,753
Buildings & other structures	100,630,045	739,731	-	101,369,776
Furniture, fixtures & equipment	38,883,482	6,378,246	(1,713,387)	43,548,341
Infrastructure	117,213,353	1,997,619	(287,620)	118,923,352
<i>Total Capital Assets, Being Depreciated</i>	<u>257,659,633</u>	<u>9,115,596</u>	<u>(2,001,007)</u>	<u>264,774,222</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(689,976)	(25,014)	-	(714,990)
Buildings & other structures	(48,792,117)	(2,616,079)	-	(51,408,196)
Furniture, fixtures & equipment	(24,888,605)	(2,518,914)	1,703,020	(25,704,499)
Infrastructure	(51,195,916)	(3,723,461)	11,985	(54,907,392)
<i>Total Accumulated Depreciation</i>	<u>(125,566,614)</u>	<u>(8,883,468) *</u>	<u>1,715,005</u>	<u>(132,735,077)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>132,093,019</u>	<u>232,128</u>	<u>(286,002)</u>	<u>132,039,145</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 148,080,653</u>	<u>\$ 3,643,036</u>	<u>\$ (4,868,836)</u>	<u>\$ 146,854,853</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE F – CAPITAL ASSETS (CONTINUED)**

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$	796,216
Judicial and Public Safety		2,938,970
Public Works		4,231,393
Human Services		828,470
Health		88,419
		<u>88,419</u>
Total	\$	<u>8,883,468</u>

Business-type capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,522,224	\$ 80,368	\$ -	\$ 4,602,592
Construction in Progress	47,749,289	9,142,709	(19,385,141)	37,506,857
<i>Total Capital Assets Not Being Depreciated</i>	<u>52,271,513</u>	<u>9,223,077</u>	<u>(19,385,141)</u>	<u>42,109,449</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	398,113,448	22,493,701	-	420,607,149
Furniture, Fixtures and equipment	10,770,367	613,717	(253,355)	11,130,729
<i>Total Capital Assets, Being Depreciated</i>	<u>409,267,638</u>	<u>23,107,418</u>	<u>(253,355)</u>	<u>432,121,701</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(309,810)	(12,570)	-	(322,380)
Utility Plant in Service	(225,219,654)	(6,937,101)	-	(232,156,755)
Furniture, fixtures and equipment	(8,031,975)	(692,383)	253,355	(8,471,003)
<i>Total Accumulated Depreciation</i>	<u>(233,561,439)</u>	<u>(7,642,054)</u>	<u>253,355</u>	<u>(240,950,138)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>175,706,199</u>	<u>15,465,364</u>	<u>-</u>	<u>191,171,563</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 227,977,712</u>	<u>\$ 24,688,441</u>	<u>\$ (19,385,141)</u>	<u>\$ 233,281,012</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE G – INTERFUND TRANSACTIONS**

Due to/from payables and receivables balances at December 31, 2016, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting records, and (3) payments between funds are made.

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds:</b>		
General Fund	\$17,655	\$104,242
ADAMHS Board	-	190
Other Nonmajor Governmental Funds	161,824	111,373
<i>Total Governmental Funds</i>	<u>179,479</u>	<u>215,805</u>
<b>Proprietary Funds:</b>		
Water	-	4,035
Wastewater	-	2,105
Solid Waste	-	143
Internal Service Funds	42,679	70
<i>Total Proprietary Funds</i>	<u>42,679</u>	<u>6,353</u>
<b>Total</b>	<u><u>\$222,158</u></u>	<u><u>\$222,158</u></u>
	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$58,160	\$ -
Homeland Security	-	19,765
Juvenile Court Computerization	-	38,395
<b>Total</b>	<u><u>\$58,160</u></u>	<u><u>\$58,160</u></u>

The General Fund provided cash to the Juvenile Court Computerization Fund several years ago due to a cash flow deficiency for the fund. The County expects this advance to be repaid within one year. The General Fund also provided cash to the Homeland Security Fund for a deficiency in the fund due to the timing of a grant reimbursement.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE H – LONG-TERM DEBT**

Changes in long-term obligations during the year ended December 31, 2016 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2016	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2016	AMOUNTS DUE IN ONE YEAR
<b><i>GOVERNMENTAL ACTIVITIES</i></b>								
<b><i>General Obligation Bonds</i></b>								
2005/2025	County Building Improvement & Refunding	\$15,500,000	3.00%-5.00%	\$815,000	-	(\$795,000)	\$20,000	\$20,000
2013/2025	County Building Improvement & Refunding	9,435,000	1.25%-3.50%	9,260,000	-	(100,000)	9,160,000	910,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,250,000	-	(50,000)	1,200,000	50,000
Total General Obligation Bonds – Unvoted				11,325,000	-	(945,000)	10,380,000	980,000
1996/2016	Perry Area 166S Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	965,000	4.95%-6.75%	50,000	-	(50,000)	-	-
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	850,000	5.80%	80,000	-	(35,000)	45,000	35,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,145,000	5.60%	300,000	-	(60,000)	240,000	60,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	1,280,000	5.60%	370,000	-	(65,000)	305,000	65,000
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W 248W, 249W, 250W, 251W, 253W	2,862,500	2.00%-4.75%	1,273,050	-	(155,700)	1,117,350	164,550
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	1,610,000	2.00%-5.35%	885,000	-	(80,000)	805,000	85,000
2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	670,000	3.50%-5.00%	405,000	-	(35,000)	370,000	35,000
2009/2029	Maple Street, 291S	1,857,000	3.00%-5.00%	1,380,000	-	(80,000)	1,300,000	85,000
2013/2042	Kirtland Sanitary Sewer	540,000	2.00%-5.25%	425,000	-	(20,000)	405,000	25,000
Total Special Assessment Bonds				3,349,647	-	(81,381)	3,268,266	84,636
Total Special Assessment Bonds				\$8,517,697	-	(\$662,081)	\$7,855,616	639,186
<b><i>Other Long-Term Liabilities</i></b>								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	\$37,500	-	(\$15,000)	\$22,500	\$15,000
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	130,805	-	(14,534)	116,271	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	411,600	-	(29,400)	382,200	29,400
2013/2029	Blasé Nemeth Widening OPWC CG22P	8,327	0.00%	6,939	-	(555)	6,384	555
2013/2029	Vrooman Road-State Rt. 86 OPWC CG05P	82,048	0.00%	71,108	-	(5,470)	65,638	5,470
2016/2021	Vrooman Road Bridge SIP Loan	2,000	3.00%	-	2,000	(187)	1,813	382
Total Other Long-Term Liabilities				657,952	2,000	(65,146)	594,806	65,341
<b><i>Unamortized Premium on Debt Issues</i></b>				555,953	-	(6,109)	549,844	-
<b><i>Capital Leases</i></b>				254,261	543,657	(145,970)	651,948	128,386
<b><i>Compensated Absences</i></b>				10,395,284	1,011,661	(728,275)	10,678,670	822,167
Total Before Net Pension Liability				31,706,147	1,557,318	(2,552,581)	30,710,884	2,635,080
<b><i>Net Pension Liability:</i></b>								
OPERS				62,142,643	35,228,139	(7,952,729)	89,418,053	-
STRS				784,276	-	(156,207)	628,069	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				\$94,633,066	\$36,785,457	\$(10,661,517)	120,757,006	\$2,635,080

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE H – LONG-TERM DEBT (CONTINUED)**

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2016	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2016	AMOUNTS DUE IN ONE YEAR
<i>Business-Type Activities:</i>								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<i>Payable From Wastewater Revenues</i>								
2002/2022	Concord Area 234S	\$1,742,500	2.00%-4.75%	\$776,950	\$-	(\$94,300)	\$682,650	\$100,450
2012/2042	Kirtland Sanitary Sewer 284S	1,896,549	2.00%-3.75%	1,795,353	-	(43,619)	1,751,734	45,364
Total Self Supporting General Obligation Bonds Payable from Wastewater				2,572,303	-	(137,919)	2,434,384	145,814
<i>OWDA Loans</i>								
<i>Payable from Wastewater Revenues</i>								
2000/2020	Project 218S	36,199,145	4.12%	10,883,768	-	(2,249,019)	8,634,749	2,342,633
2015/2039	Madison Twp. WWTP Expansion	12,442,917	2.74%-3.24%	13,973,829	61,754	(291,990)	13,743,593	448,864
Total OWDA Loans Payable from Wastewater				24,857,597	61,754	(2,541,009)	22,378,342	2,791,497
<i>Other Long-Term Liabilities</i>								
<i>Payable from Wastewater Revenues</i>								
2006/2025	City of Willoughby Hills Mentor Headlands San Sewer	488,959	3.03%	257,846	-	(25,326)	232,520	26,099
2010/2029	Replacement OPWC CG17K Dundee Glasgow & Kelso Sewer	142,683	0.00%	99,879	-	(7,134)	92,745	7,134
2011/2041	OPWC CG02M Bellflower Area Outlet Sewer	8,402	0.00%	7,282	-	(280)	7,002	280
2013/2033	Replace OPWC CG380 Giyco Forcemain Replacement	50,000	0.00%	43,750	-	(2,500)	41,250	2,500
2015/2036	OPWC CG10P Giyco Forcemain Replacement	50,000	0.00%	50,000	-	(1,250)	48,750	2,500
2015/2036	OPWC CG10P	249,970	0.00%	-	249,970	-	249,970	12,499
Total Payable from Wastewater				458,757	249,970	(36,490)	672,237	51,012
<i>Payable from Water Revenues</i>								
2012/2032	Hubbard Rd Waterline OPWC CG11K Lakeshore Boulevard Waterline	49,550	0.00%	42,116	-	(2,478)	39,638	2,478
2015/2036	Project OPWC CG37P Johnny Cake Ridge Road Waterline	235,000	0.00%	235,000	-	(5,875)	229,125	11,750
2016/2037	Project OPWC CG02O	98,381	0.00%	-	98,381	-	98,381	2,460
Total Payable from Water				277,116	98,381	(8,353)	367,144	16,688
Total other Long-Term Liabilities				735,873	348,351	(44,843)	1,039,381	67,700
<i>Landfill Closure and Post Closure Costs</i>				22,625,052	-	(14,428,990)	8,196,062	-
<i>Compensated Absences</i>				1,596,272	165,915	(125,519)	1,636,668	123,896
Total Before Net Pension Liability				52,387,097	576,020	(17,278,280)	35,684,837	3,128,907
<i>Net Pension Liability - OPERS</i>				11,246,033	6,297,824	(1,438,505)	16,105,352	-
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>				<b>\$63,633,130</b>	<b>\$6,873,844</b>	<b>(\$18,716,785)</b>	<b>\$51,790,189</b>	<b>\$3,128,907</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE H – LONG-TERM DEBT (CONTINUED)**

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2016 are as follows:

*Governmental Activities*

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 980,000	\$ 327,300	\$ 639,186	\$ 340,437	\$ 65,341	\$ 14,607
2018	995,000	312,750	615,086	312,408	57,853	13,656
2019	1,010,000	295,900	632,192	284,253	50,364	9,593
2020	1,040,000	264,500	659,297	253,906	50,377	5,407
2021	1,065,000	232,100	623,147	223,268	50,173	1,094
2021-2025	4,730,000	584,775	1,977,463	747,889	220,727	-
2026-2030	455,000	96,500	980,710	405,302	99,971	-
2031-2035	105,000	5,250	706,388	262,884	-	-
2036-2040	-	-	836,598	130,380	-	-
2041-2042	-	-	185,549	6,958	-	-
<b>Total</b>	<b>\$ 10,380,000</b>	<b>\$ 2,119,075</b>	<b>\$ 7,855,616</b>	<b>\$ 2,967,685</b>	<b>\$ 594,806</b>	<b>\$ 44,357</b>

*Business-Type Activities*

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 145,814	\$ 92,604	\$ 2,791,497	\$ 615,172	\$ 67,700	\$ 6,849
2018	149,914	86,423	2,901,390	531,787	70,955	6,052
2019	157,808	80,027	3,015,685	445,103	71,776	5,231
2020	165,704	73,273	1,797,307	354,991	72,622	4,386
2021	171,853	66,770	500,484	321,901	73,495	3,513
2021-2025	397,537	255,136	2,717,305	1,394,617	314,106	5,037
2026-2030	319,290	199,635	3,113,385	998,537	206,027	-
2031-2035	378,611	140,901	3,567,199	544,723	158,840	-
2036-2040	448,402	69,881	1,974,090	81,871	3,860	-
2041-2042	99,451	3,729	-	-	-	-
<b>Total</b>	<b>\$ 2,434,384</b>	<b>\$ 1,068,379</b>	<b>\$ 22,378,342</b>	<b>\$ 5,288,702</b>	<b>\$ 1,039,381</b>	<b>\$ 31,068</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE H – LONG-TERM DEBT (CONTINUED)**

At December 31, 2016, the County had entered into various operating leases, with terms ranging in length from one to twenty-two years, for office space and equipment. The total future rental payment for these leases is \$1,795,543. Of this amount, \$1,688,996 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

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

Year	Amount
2017	\$739,907
2018	426,335
2019	140,404
2020	65,310
2021	63,501
2022 - 2026	266,938
2027 - 2028	93,148
Total	\$1,795,543

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

In 2005, the County issued \$17,871,000 in general obligation bonds and \$159,000 in special assessment bonds. The entire amount of the \$159,000 in special assessment bonds was issued to advance refund \$150,000 of existing 1991 water improvement bonds. Of the total amount of new general obligation bonds issued in 2005, \$636,000 was issued to advance refund \$615,000 of existing 1991 Forensic Crime Laboratory Bonds and \$1,735,000 was issued to advance refund \$1,665,000 of existing 1995 Human Services Center Bonds. As of December 31, 2016, \$20,000 of the 2005 issuance was outstanding. The remaining outstanding balances were refunded with the 2013 refunding issuance, described below.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE H – LONG-TERM DEBT (CONTINUED)**

In 2013, the County issued \$9,435,000 in general obligation bonds for a current refunding of \$9,160,000 in outstanding bonds of the 2005 County building improvement and refunding series. The refunding was undertaken to reduce future debt service payments. The current refunding in 2013, resulted in a decrease in the County's debt service payments in the amount of \$1,173,097. Proceeds of \$10,048,114 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2016, \$9,160,000 of these bonds are considered defeased. Accordingly, the trust account assets and the liability for this defeased bond issue are not included in the County's financial statements. The County also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$1,025,614 on this refunding.

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

Other long-term obligations consist of an agreement with the City of Willoughby Hills whereby the County acquired various land and plant facilities from the City. In exchange, the County has agreed to pay directly to the City, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets acquired. This obligation, amounting to \$232,520 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Six are for governmental activities for road repairs and eight are for business-type activities, five for wastewater system improvements and three for water system improvements.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE H – LONG-TERM DEBT (CONTINUED)**

The compensated absence liability will be paid from the fund that the employees' salaries are paid. These funds include the following: General, DD Board, Public Assistance, Children Services, Child Support Enforcement, Felony Delinquent Care and Custody, Senior Citizens Levy, Auto License and Gasoline Tax, Municipal Street Improvement and Construction, Engineer's Stormwater Maintenance, ADAMHS Board, Dog and Kennel, Narcotics Agency, Forensic Crime Laboratory, Emergency Management Agency, Prosecutor's 4-D, Prosecutor's Victim/Witness Assistance, Prosecutor's Delinquent Tax Collection, Common Pleas Court Special Project #1, Common Pleas Court Special Project #2, Probation Supervision, Pilot Probation Grant, Domestic Relations Court 4-D, Juvenile Court IV-D, Certificate of Title Administration, Sheriff's Drug/Alcohol Treatment, Sheriff's Concealed Weapons, Telecommunications, Real Estate Assessment, Law Library, Recorder's Equipment, Hotel/Motel, Geographic Information System, Treasurer's Delinquent Tax Collection, Water, Wastewater, Solid Waste, Central Purchasing, Mailroom and Hospitalization.

Employees earn 15 days of sick leave per year. Upon retirement or resignation, employees with 10 years of service are compensated for unused sick leave based on the total number of hours accumulated and the County's conversion schedule. Vacation time is vested for employees after a minimum of one year of service. According to State law, vacation time may be accumulated up to 3 years. Unused vacation time, unpaid overtime and unused compensatory time are payable upon termination of employment. All sick, vacation and compensatory time payments are made at the employee's current wage rate.

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2041. The total principal and interest remaining to be paid on the wastewater debt is \$31,873,112. Principal and interest paid for the year for the wastewater debt was \$3,449,799, total net revenues were \$7,044,260 and total revenues were \$19,011,337.

The County has pledged future water revenues to repay OPWC loans. All of the debt is solely payable from net revenues and are payable through 2037. The total principal remaining to be paid on the water debt is \$367,146. Principal paid for the year for the water debt was \$8,353, total net revenues were \$4,685,327 and total revenues were \$17,374,998.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. At December 31, 2016, the County had an unvoted debt margin of \$47.4 million and a direct debt margin of \$133.5 million.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE H – LONG-TERM DEBT (CONTINUED)**

Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$134,645,000.

**NOTE I – NOTES PAYABLE**

A summary of note transactions for the year ended December 31, 2016 follows:

YEAR ISSUED	PURPOSE/ DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2016	PRINCIPAL ISSUED IN 2016	PRINCIPAL RETIRED IN 2016	BALANCE DEC. 31, 2016
<i>Business-Type Activities:</i>							
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable From Water Funds:</u>							
2015	Water District Improvement - 302W	2016	1.00%	2,400,000	-	(2,400,000)	-
2015	Premium on Note Issuance	2016	n/a	5,075	-	(5,075)	-
2016	Water District Improvement - 302W	2017	1.00%	-	1,800,000	-	1,800,000
2016	Premium on Note Issuance	2017	n/a	-	3,765	(1,882)	1,883
2016	Water District Improvement - 354W	2017	1.125%	-	731,000	-	731,000
2016	Water District Improvement - 360W	2017	1.125%	-	890,562	-	890,562
2016	Water District Improvement - 372W	2017	1.125%	-	434,000	-	434,000
2016	Water District Improvement - 374W	2017	1.125%	-	493,438	-	493,438
2016	Water District Improvement - 395W	2017	1.125%	-	271,000	-	271,000
<b>TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS</b>				<u>\$ 2,405,075</u>	<u>\$ 4,623,765</u>	<u>\$ (2,406,957)</u>	<u>\$ 4,621,883</u>

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE J – DEFINED BENEFIT PENSION PLANS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability 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 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 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.

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 the 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 is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

***Ohio Public Employees Retirement System (OPERS)***

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

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.

Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

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 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.

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County’s contractual required contribution was \$9,675,706 for 2016. Of this amount, \$194,655 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 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 was based on the County’s share of contributions to the pension plan relative to the projected contributions of all participating entities.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

Following is information related to the proportionate share and pension expense:

	Traditional	Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.57772100%	0.67435600%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.57574700%	0.63886000%	
Change in Proportionate Share	-0.00197400%	-0.03549600%	
Proportionate Share of the Net Pension Liability (Asset)	\$105,834,288	(\$310,883)	\$105,523,405
Pension Expense	\$14,870,648	\$163,921	\$15,034,569

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

	Traditional Plan	Combined Plan	OPERS Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$31,110,477	\$134,228	\$31,244,705
Change in proportionate share and difference between County contributions and proportionate share of contributions	220,214	8,265	228,479
County contributions subsequent to the measurement date	9,401,164	274,542	9,675,706
Total Deferred Outflows of Resources	\$40,731,855	\$417,035	\$41,148,890
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$2,044,921	\$141,859	\$2,186,780
Change in proportionate share and difference between County contributions and proportionate share of contributions	171,311	341	171,652
Total Deferred Inflows of Resources	\$2,216,232	\$142,200	\$2,358,432

\$9,675,706 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 in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

	Traditional Plan	Combined Plan	OPERS Total
<b>Year Ending December 31:</b>			
2017	(\$6,779,779)	(\$18,587)	(\$6,798,366)
2018	(7,277,203)	(18,587)	(7,295,790)
2019	(7,960,723)	(18,589)	(7,979,312)
2020	(7,096,754)	(14,834)	(7,111,588)
2021 - 2025	0	70,304	70,304
Total	(\$29,114,459)	(\$293)	(\$29,114,752)

***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 December 31, 2015, 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 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

These ranges are combined to produce the long-term expected real rate of return by weighing 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 Benefit 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 0.4 percent for 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS Continued)**

*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 8.0 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 (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
County's Proportionate Share of the Net Pension Liability (Asset) - Traditional Plan	\$168,619,878	\$105,834,288	\$52,876,632
County's Proportionate Share of the Net Pension Liability (Asset) - Combined Plan	(6,389)	(310,883)	(555,808)
Total OPERS	<u>\$168,613,489</u>	<u>\$105,523,405</u>	<u>\$52,320,824</u>

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

**STATE TEACHERS RETIREMENT SYSTEM (STRS)**

Plan Description - County licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (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](http://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 year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**STATE TEACHERS RETIREMENT SYSTEM (STRS Continued)**

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 year 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.

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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates. The County's contractually required contribution to STRS was \$18,564 for the year ended December 31, 2016.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**STATE TEACHERS RETIREMENT SYSTEM (STRS Continued)**

***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions***

The net 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 was based on the County's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	STRS
Proportion of the Net Pension Liability	
Prior Measurement Date	0.00322436%
Proportion of the Net Pension Liability	
Current Measurement Date	0.00227256%
Change in Proportionate Share	-0.00095180%
Proportionate Share of the Net Pension Liability	\$628,069
Pension Expense	\$28,560

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$28,631
County contributions subsequent to the measurement date	18,564
Total Deferred Outflows of Resources	\$47,195
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$45,170
Change in proportionate share and difference between County contributions and proportionate share of contributions	217,690
Total Deferred Inflows of Resources	\$262,860

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**STATE TEACHERS RETIREMENT SYSTEM (STRS Continued)**

\$18,564 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 in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
<b>Fiscal Year Ending December 31:</b>	
2017	\$64,615
2018	64,615
2019	64,618
2020	40,381
Total	\$234,229

***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% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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

Actuarial assumptions used in the June 30, 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:

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

**STATE TEACHERS RETIREMENT SYSTEM (STRS Continued)**

<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
Fixed Income	18.00	8.00
Alternatives	14.00	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></u>	<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	\$872,435	\$628,069	\$421,421

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE K – POSTEMPLOYMENT BENEFITS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE K – POSTEMPLOYMENT BENEFITS (Continued)**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2016 was 4.5 percent.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$1,382,244, \$1,644,917 and \$1,499,193, which were equal to the required contribution.

**STATE TEACHERS RETIREMENT SYSTEM (STRS)**

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The County's contributions for health care for the years ended December 31, 2016, 2015, and 2014 were \$0, \$0, and \$1,409 respectively. The full amount has been contributed for all three years.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE L – PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016 lien date. Assessed values are established by State law at 35% of appraised market value. 2016 real property taxes are collected in and intended to finance 2017 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016 and are collected in 2017 with real property taxes.

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

The full tax rate for all County operations for the year ended December 31, 2016, was \$9.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property	\$5,473,255,190
Public Utility Personal Property	<u>365,366,350</u>
Total Assessed Value	<u>\$5,838,621,540</u>

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE L – PROPERTY TAX REVENUES (CONTINUED)**

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2016 operations. In the governmental funds, the entire receivable has been offset by deferred inflows of resources – property taxes since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is reported as deferred inflows of resources – unavailable revenue.

**NOTE M – RECEIVABLES & REVENUES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Special assessments expected to be collected amounts to \$9,810,422 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$215,789.

A summary of the principal intergovernmental receivables for governmental activities are as follows:

<i>Governmental Activities</i>	<u>Amount</u>
Grants, Incentives and Reimbursements	\$9,051,122
Homestead and Rollback	5,828,255
Motor Vehicle License Tax and Gas Tax	662,135
Casino Revenue	607,939
Public Defender Reimbursements	149,369
Local Government	<u>89,478</u>
<i>Total</i>	<u><u>\$16,388,298</u></u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE N – INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfers From	Transfers To					Totals
	General	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Internal Service	
General	\$ -	\$ 2,556,802	\$ 1,203,625	\$ 8,525,000	\$ 20,000	\$ 12,305,427
Nonmajor Special Revenue	200,000	4,590,158	111,850	625,000	-	5,527,008
Water	-	135,000	-	-	-	135,000
Transfer Totals	\$ 200,000	\$ 7,281,960	\$ 1,315,475	\$ 9,150,000	\$ 20,000	\$ 17,967,435

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

**NOTE O – ENCUMBRANCES**

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

At December 31, 2016, encumbrances outstanding in governmental funds and proprietary funds which were re-appropriated in the 2017 budget were:

General Fund	\$661,524
DD Board	1,379
ADAMHS Board	325,897
Non-Major Special Revenue Funds	2,031,502
Non-Major Capital Projects Funds	2,700,954
Enterprise Funds	306,007
Non-Major Internal Service Funds	<u>13,542</u>
Total	<u>\$6,040,805</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE O – ENCUMBRANCES (Continued)**

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2016 encumbrances less these accrued liabilities were:

General Fund	\$ 260,671
DD Board	271
ADAMHS Board	267,083
Non-Major Special Revenue Funds	1,588,634
Non-Major Capital Projects Funds	2,312,590
Enterprise Funds	237,235
Non-Major Internal Service Funds	<u>8,813</u>
Total	<u>\$4,675,297</u>

**NOTE P – CONTINGENCIES, JUDGMENTS AND CLAIMS**

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

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

**NOTE Q – LANDFILL CLOSURE AND POSTCLOSURE COSTS**

State and federal laws and regulations require the County to place a cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date.

During 2016, Lake County was granted a permit from the Ohio Environmental Protection Agency to allow for vertical (upward) expansion at the County's Landfill. The expansion results in a capacity increase of approximately 6.5 million tons. In addition, the State of Ohio modified its methodology for calculating closure and post-closure costs, which has resulted in a decrease in the County's liability for such costs. As a result of these two events, the County's liability for landfill closure and post closure costs decreased in 2016 by approximately \$14.4 million. This amount is being reported as a special item on the 2016 Basic Financial Statements (Solid Waste Fund).

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE Q – LANDFILL CLOSURE AND POSTCLOSURE COSTS (Continued)**

The \$8.2 million reported as landfill closure and post closure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 59.0 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$7.4 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE R – RELATED PARTY TRANSACTIONS**

During 2016, Lake County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to Deepwood Industries, Inc., (the "Workshop"), a discretely presented component unit of Lake County. The Workshop reported \$139,179 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the Workshop.

**NOTE S – RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials' liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2016 as compared to the previous year. Insurance premiums paid to private carriers during 2016 were approximately \$0.7 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$120,137 and dental claims of \$51,879, have been accrued based upon a review of the January, 2016 billings provided by the County Commissioners' Office.

The total claims liability of \$172,016 reported in the internal service fund at December 31, 2016, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE S – RISK MANAGEMENT (Continued)**

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
<b><u>Prescription:</u></b>				
2014	\$ 64,886	\$ 3,247,528	\$ 3,150,972	\$ 161,442
2015	161,442	3,145,467	3,184,334	122,575
2016	122,575	3,341,680	3,344,118	120,137
<b><u>Dental:</u></b>				
2014	\$ 50,628	\$ 691,032	\$ 725,703	\$ 15,957
2015	15,957	699,893	659,780	56,070
2016	56,070	679,196	683,387	51,879

**NOTE T – PUBLIC ENTITY RISK POOLS**

**COUNTY RISK SHARING AUTHORITY**

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2016 was \$668,893.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE U – DEFICIT FUND BALANCES/NET POSITION**

At December 31, 2016, the following funds had deficit fund balances/net position:

<u>Fund</u>	<u>Amount</u>
Juvenile Court Computerization	\$31,036
Domestic Relations Court Computer	13,932

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

The deficit in the Domestic Relations Court Computer Fund is the result of recognizing expenses on the modified accrual/accrual basis of accounting. This deficit did not exist on the cash basis of accounting. The General Fund provides operating transfers to these funds when cash is required, not when accruals occur.

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

**NOTE V – TAX INCENTIVES AND TAX ABATEMENTS**

Several of the cities, villages and townships within Lake County have authorized, through the passage of public ordinances/resolutions, different real estate tax incentives.

The first of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 5709, is called Tax Increment Financing Agreements (TIF's). Under a TIF, the property owner makes Payments in Lieu of Taxes (PILOT's) in the same amount as the property tax, on improvements made to the respective property since the inception of the TIF. The PILOT's are used by the respective cities, villages and townships to finance infrastructure improvements to the properties included within the TIF. The revenue derived from the PILOT's is redirected from the "normal" distribution had the TIF not been established. With respect to County funds, none of the PILOT's are remitted to County agencies, but instead are remitted to the respective cities, villages and townships to finance the construction of the respective improvements.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE V – TAX INCENTIVES AND TAX ABATEMENTS (CONTINUED)**

The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2016, had the TIF agreements not been established and the improvements still constructed:

	Amount
<b>Governmental Funds:</b>	
General Fund	\$52,965
Developmental Disabilities Board	255,300
ADAMHS Board	84,577
Childrens Services Board	35,268
Narcotics Agency Fund	14,061
Forensic Crime Laboratory Fund	15,244
Senior Citizens Levy Fund	26,430
<i>Total</i>	483,845

The second of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 3735, is called Community Reinvestment Areas (CRA's). In order to establish a CRA, a city, village or township must survey the housing within its jurisdiction and determine that all or part(s) of the jurisdiction has an area(s) that has housing facilities or structures of historical significance and that repair of these facilities and/or structures is discouraged. By establishing a CRA within its jurisdiction, the respective government can offer real estate tax abatements on improvements made to such facilities and/or structures. The percentage and length of time of these abatements is negotiated by the respective government and property owner. With respect to County funds, none of the abated tax revenue is received during the duration of the abatement. The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2016, had the CRA's not been established and the improvements still constructed:

	Amount
<b>Governmental Funds:</b>	
General Fund	\$12,959
Developmental Disabilities Board	61,683
ADAMHS Board	20,634
Childrens Services Board	8,323
Narcotics Agency Fund	3,177
Forensic Crime Laboratory Fund	3,593
Senior Citizens Levy Fund	6,448
<i>Total</i>	116,817

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE W – SUBSEQUENT EVENTS**

On March 21, 2017, the County issued \$1,200,000 in bond anticipation notes for the construction of a Utilities Maintenance Facility. The new notes have an interest rate of 1.50 percent and mature on March 21, 2018.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Three Years (1)*

	2015	2014	2013
County's Proportion of the Net Pension Liability (Asset)	0.5757470%	0.5777210%	0.5777210%
County's Proportionate Share of the Net Pension Liability (Asset)	\$105,834,288	\$73,648,319	\$71,984,849
County's Covered-Employee Payroll	\$75,938,500	\$74,921,308	\$73,442,386
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.37%	98.30%	98.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)*  
*Ohio Public Employees Retirement System (OPERS) - Combined Plan*  
*Last Three Years (1)*

	2015	2014	2013
County's Proportion of the Net Pension Liability (Asset)	0.63886000%	0.67435600%	0.67435600%
County's Proportionate Share of the Net Pension Liability (Asset)	(\$310,883)	(\$259,643)	(\$70,761)
County's Covered-Employee Payroll	\$2,321,758	\$2,465,025	\$2,416,366
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	-13.39%	-10.53%	-2.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	116.90%	114.83%	104.56%

(1) Information prior to 2013 is not available.

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

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)*  
*State Teachers Retirement System (STRS)*  
*Last Three Years (1)*

	2015	2014	2013
County's Proportion of the Net Pension Liability (Asset)	0.00227256%	0.00322436%	0.00322436%
County's Proportionate Share of the Net Pension Liability (Asset)	\$628,069	\$784,276	\$934,224
County's Covered-Employee Payroll	\$290,057	\$354,785	\$372,310
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	216.53%	221.06%	250.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of County Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Four Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$9,401,164	\$9,112,620	\$8,990,557	\$9,547,510
Contributions in Relation to the Contractually Required Contribution	(\$9,401,164)	(\$9,112,620)	(\$8,990,557)	(\$9,547,510)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$78,343,033	\$75,938,500	\$74,921,308	\$73,442,386
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of County Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Combined Plan*  
*Last Four Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$274,542	\$278,611	\$295,803	\$314,128
Contributions in Relation to the Contractually Required Contribution	(\$274,542)	(\$278,611)	(\$295,803)	(\$314,128)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$2,287,850	\$2,321,758	\$2,465,025	\$2,416,366
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*

*Schedule of County Contributions*  
*State Teachers Retirement System (STRS)*  
*Last Four Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$18,564	\$40,608	\$46,122	\$48,400
Contributions in Relation to the Contractually Required Contribution	(\$18,564)	(\$40,608)	(\$46,122)	(\$48,400)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$132,600	\$290,057	\$354,785	\$372,310
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

**LAKE COUNTY, OHIO**  
*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2016*

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2016.

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

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LAKE COUNTY

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

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through the Ohio Department of Education:</i>				
<u>Nutrition Cluster:</u>				
National School Breakfast Program	10.553	N/A		\$20,624
National School Lunch Program	10.555	N/A		32,971
Total Nutrition Cluster				53,595
<i>Passed through the Ohio Department of Jobs and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSCF116 JFSCFB16 JFSCFB17		43,617 521,085 205,368
Total - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				770,070
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURAL</b>				<b>823,665</b>
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>				
<i>Direct programs:</i>				
Community Development Block Grants/Entitlements Grants	14.218	N/A N/A	\$253,587 1,019,345	255,161 1,230,736 22,464
Total - Community Development Block Grants/Entitlements Grants			1,272,932	1,508,361
Shelter Plus Care	14.238	N/A N/A N/A N/A N/A N/A N/A N/A	120,255 104,381 22,294 56,038 93,257 64,183 15,840 39,124	120,255 104,381 22,294 56,038 93,257 64,183 15,840 39,124
Total - Shelter Plus Care			515,372	515,372
Home Investment Partnership Program	14.239	N/A N/A N/A N/A N/A		105,098 36,959 190,360 268,115 147
Total - Home Investment Partnership Program				600,679
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<b>1,788,304</b>	<b>2,624,412</b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Passed through the Ohio Department of Youth Services:</i>				
Juvenile Accountability Block Grants	16.523	2013-JB-009-B0002		\$10,000
<i>Passed Through the Ohio Attorney General's Office:</i>				
Crime Victims Assistance	16.575	2016VOCA27669992 2017VOCA43552335 2016VOCA19813238		1,494 79,222 266,944
Total - Crime Victims Assistance				347,660
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Violence Against Women Formula Grants	16.588	2015-WF-VA5-8211 2013-WF-VA5-8211A		29,549 3,109
Total - Violence Against Women Formula Grants				32,658
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015JGA016447		42,675
<i>Passed Through the City of Mansfield Police Department</i>				
Forensic DNA Backlog Reduction Program	16.741	2015-DN-BX-0098		74,515
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2015-PC-NFS-7802		9,555
<i>Direct program:</i>				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments	16.804	N/A		19,864
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				<b>536,927</b>

LAKE COUNTY

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

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
<i>Workforce Investment Act (WIA) Cluster</i>				
WIA Adult Program	17.258	JFSCAF15		\$21,029
		JFSCAP15		3,810
		JFSCAF16		9,220
		JFSCAF15		141,783
		JFSCAP15		34,290
		JFSCAF16		167,022
		JFSFSW10		6,959
		JFSFSW10		12,897
Total - WIA Adult Program				397,010
WIA Youth Activities	17.259	JFSCYP15		24,416
		JFSCYP14		57,395
		JFSCYP15		341,604
		JFSCYP16		5,729
Total - WIA Youth Activities				429,144
WIA Dislocated Worker Formula Grants	17.278	JFSCDF15		18,946
		JFSCDP15		7,400
		JFSCDF16		11,757
		JFSCDF15		97,296
		JFSCDP15		66,601
		JFSCDF16		176,422
Total - WIA Dislocated Worker Formula Grants				378,422
Total Workforce Investment Act (WIA) Cluster				1,204,576
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<b>1,204,576</b>
<b>U.S. FEDERAL HIGHWAY ADMINISTRATION</b>				
<i>Passed Through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A		2,460,978
<i>Passed Through the Ohio Department of Public Safety</i>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	STEP-2016-43-00-00-00482-00		8,401
		STEP-2017-43-00-00-00506-00		2,804
Total -State and Community Highway Safety				11,205
National Priority Safety Programs	20.616	IDEP-2016-43-00-00-00337-00		8,616
		IDEP-2017-43-00-00-00363-00		3,633
Total - National Priority Safety Programs				12,249
Total - Highway Safety Cluster				23,454
<b>TOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION</b>				<b>2,484,432</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Special Education Cluster</i>				
Special Education: Grants to States	84.027	070037-6BSF-2016P		68,100
Special Education: Preschool Grants	84.173	070037-PGS1-2015		15,935
Total Special Education Cluster				84,035
<i>Passed Through the Ohio Department of Health:</i>				
Special Education-Grants for Infants and Families	84.181	04310031HG0316	\$128,879	128,879
		04310031HG0417	78,092	78,092
Total - Special Education-Grants for Infants and Families			206,971	206,971
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b>206,971</b>
				<b>291,006</b>

LAKE COUNTY

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

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through the Ohio Department of Alcohol &amp; Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	\$274,391	\$274,391
		N/A	273,758	273,758
		43-01316-WOMEN-T-16-9013	23,751	23,751
		43-01316-WOMEN-T-17-9013	36,951	36,951
		N/A	16,156	16,156
		N/A	1,781	1,781
Total - Block Grants for Prevention and Treatment of Substance Abuse			626,788	626,788
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-09-16		52,779
		43-1-002-4-VW-08-15		10,624
Total - Injury Prevention and Control Research and State and Community Based Programs				63,403
<i>Passed Through the Ohio Department of Mental Health:</i>				
Projects for Assistance in Transition from Homelessness	93.150	43-13900-PATH-T-17-1579	32,374	32,374
		43-13900-PATH-T-16-1579	27,750	27,750
Total - Projects for Assistance in Transition from Homelessness			60,124	60,124
Block Grants for Community Health Services	93.958	N/A	139,384	139,384
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Promoting Safe and Stable Families	93.556	JFSCMC16		267
		JFSCMC17		82
		JFSCMC16		2,653
		JFSCMC17		814
		JFSCPF16		5,138
		JFSCPF17		1,553
		JFSCPF16		22,918
		JFSCPF17		8,073
		JFSCPF16		4,545
		JFSCPF17		1,372
		JFSCPF16		12,302
		JFSCPF17		1,199
		JFSOLS16		22,114
		JFSOLS17		34,362
Total - Promoting Safe and Stable Families				117,392
Temporary Assistance for Needy Families	93.558	JFSCTF16		1,997
		JFSFTF16		46,521
		JFSFTF16		164,744
		JFSCTF16		984,293
		JFSCTF17		149,798
		JFSFTF16		2,907
		JFSFTF16		812,650
		JFSFTF17		266,735
		N/A		140,000
Total - Temporary Assistance for Needy Families				2,569,645
Child Support Enforcement	93.563	JFSCCS16		482,630
		JFSCCS16		1,531,052
		JFSCCS17		627,907
		JFSCCS16		1,670
Total - Child Support Enforcement				2,643,259
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSCCW16		55,486
		JFSCCW17		17,992
		JFSCCW16		5,627
		JFSCCW17		1,791
Total - Stephanie Tubbs Jones Child Welfare Services Program				80,896
Foster Care Title IV-E	93.658	N/A		1,490,889
	93.658	JFSCFC16		1,358
	93.658	JFSCFC16		222,865
	93.658	JFSCFC17		93,109
Total - Foster Care Title IV-E				1,808,221
Adoption Assistance	93.659	JFSCAA16		1,866
		JFSCAA16		503,894
		JFSCAA17		176,796
		JFSFAA16		1,306
Total - Adoption Assistance				683,862
Chaffe Foster Care Independence Program	93.674	JFSCIL16		35,034
		JFSCIL17		4,312
Total - Chaffe Foster Care Independence Program				39,346

LAKE COUNTY

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

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -(Continued)</b>				
<i>Passed Through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A	\$64,192	\$64,192
		N/A	14,154	14,154
		N/A	13,826	13,826
		N/A	34,693	34,693
		N/A	10,559	10,559
		N/A	7,986	7,986
<i>Passed Through the Ohio Department of Developmental Disabilities (DD):</i>				
Social Services Block Grant	93.667	N/A		121,673
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Social Services Block Grant	93.667	JFSCSS16		305,077
		JFSCSS17		56,877
		JFSCCTX16		648,964
		JFSCCTX17		200,000
Total - Social Services Block Grant			145,410	1,478,001
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>				
Medical Assistance Program	93.778	N/A		478,238
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Medical Assistance Program	93.778	MCDFMT16		171,771
		MCDFMT17		62,047
		MCDFMT16		305,439
		MCDFMT17		57,981
		MCDFMT16		599,014
		MCDFMT17		260,954
Total - Medical Assistance Program				1,935,444
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Child Care and Development Block Grant	93.575	JFSCCD16		51,724
		JFSCCD17		9,658
		JFSCCD16		40,710
		JFSCCD17		24,165
Total - Child Care and Development Block Grant				126,257
<i>Passed Through the Ohio Chapter of the American Planning Association</i>				
National Implementation & Dissemination for Chronic Disease Prevention	93.328	N/A		42,182
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>971,706</b>	<b>12,414,204</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through the Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grant	97.042	EMW2015EP0003401/62238		136,047
Pre-Disaster Mitigation	97.047	LPDM		393,968
Homeland Security Grant Program	97.067	EMW2014SS00101S01/55923		21,335
		EMW2015SS00086/82662		77,059
		DPSFE211/55744		26,529
		DPSFE204/42257		32,396
Total - Homeland Security Grant Program				157,319
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<b>687,334</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$2,966,981</b>	<b>\$21,066,556</b>

The accompanying note is an integral part of this schedule

## LAKE COUNTY

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

#### NOTE A – BASIS OF PRESENTATION

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

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### NOTE C - SUBRECIPIENTS

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

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

#### NOTE D - CHILD NUTRITION CLUSTER

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

#### NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2016 is \$79,151.

#### NOTE F - 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.

**LAKE COUNTY**

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

**NOTE G – PRIOR YEAR PROGRAM ADJUSTMENTS**

During the calendar year 2016, the Lake County Board of Developmental Disabilities received a settlement payment for the 2010 and 2011 Cost Reports from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA#93.778) in the amount of \$4,408 and \$48,600, respectively. The cost report settlement payment was for the settlement for the statewide payment rate and the rate calculated based upon actual Medicaid services. The revenue is not listed on the County Federal Awards Expenditure Schedule since the underlying expenses occurred in prior reporting periods.



# 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*

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 8, 2017.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 8, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Lake County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

The County's basic financial statements include the operations of the Lake County Port & Economic Development Authority, which received \$223,782 in federal awards which is not included in the County's Federal Awards Expenditures Schedule during the year ended December 31, 2016. Our audit of Federal Awards described below, did not include the operations of the Lake County Port & Economic Development Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$750,000 of Federal awards for the year ended December 31, 2016, it was not subject to Uniform Guidance.

### ***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.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Opinion on Each Major Federal Program***

In our opinion, Lake County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 8, 2017

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA 10.561;</li> <li>➤ Shelter Plus Care, CFDA 14.238;</li> <li>➤ Crime Victims Assistance, CFDA 16.575;</li> <li>➤ Workforce Investment Act Cluster, CFDA 17.258, 17.259 and 17.278;</li> <li>➤ Child Support Enforcement, CFDA 93.563.</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# Dave Yost • Auditor of State

LAKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 26, 2017