



Dave Yost · Auditor of State



**SANDUSKY COUNTY**  
**DECEMBER 31, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Sandusky County  
100 North Park Avenue  
Fremont, Ohio 43420-2472

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 remaining fund information of Sandusky County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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 express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were unable to obtain sufficient appropriate audit evidence to opine on the aggregate discretely-presented component units.

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 opinions.

***Summary of Opinions***

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Human Services Fund	Unmodified
County Board of DD Fund	Unmodified
Sanitary Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

***Basis for Disclaimer of Opinion on the Discretely Presented Component Units***

The financial statements of Sandusky County Regional Airport Authority were not audited, and we were not engaged to audit Sandusky County Regional Airport Authority's financial statements as part of our audit of the County's basic financial statements. The Sandusky County Regional Airport Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit. In addition, the financial information for Sandusky County Regional Airport Authority is presented using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America.

We cannot reasonably determine the amounts by which this departure from accounting principles generally accepted in the United States of America would affect the assets, liabilities, net position, revenues and expenses of the accompanying statements.

***Disclaimer of Opinion***

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the Discretely Presented Component Units* paragraph, we were unable to obtain sufficient appropriate audit evidence to opine on the financial statements of the discretely-presented component unit of Sandusky County, Ohio. Accordingly, we do not express an opinion on these financial statements.

***Unmodified Opinions***

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 remaining fund information of Sandusky County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, its cash flows thereof and the respective budgetary comparisons for the General, Human Services and County Board of DD, funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 21, 2017

## **SANDUSKY COUNTY**

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

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

#### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- The total net position of the County increased \$2,404,652 over net position from 2015. Net position of governmental activities increased \$2,126,827, which represents a 2.74% increase over 2015. Net position of business-type activities increased \$277,825, or 5.79% from 2015.
- General revenues accounted for \$25,683,330 or 47.16% of total governmental activities revenue. Program specific revenues accounted for \$28,774,198 or 52.84% of total governmental activities revenue.
- The County had \$52,316,950 in expenses related to governmental activities; \$28,774,198 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$25,683,330 were adequate to provide for these programs.
- The general fund, the County's largest major fund, had revenues and other financing sources of \$19,178,079 in 2016, an increase of \$638,101 from 2015 revenues. The general fund had expenditures and other financing uses of \$19,585,544 in 2016, an increase of \$595,243 from 2015. The fund balance of the general fund decreased \$407,465 from 2015 to 2016.
- The human services fund, a County major fund, had revenues of \$6,376,910 in 2016. The human services fund had expenditures of \$6,303,460 in 2016. The fund balance of the human services fund increased \$73,450 from 2015 to 2016.
- The County board of developmental disabilities (DD) fund, a County major fund, had revenues and other financing sources of \$10,296,565 in 2016. The County board of DD fund had expenditures of \$9,126,334 in 2016. The fund balance of the County board of DD fund increased \$1,170,231 from 2015 to 2016.
- Net position for the sanitary sewer enterprise fund increased in 2016 by \$277,825 or 5.79%.
- In the general fund, the actual revenues and other financing sources came in \$644,877 greater than they were originally budgeted and actual expenditures and other financing uses were \$412,907 more than the amount in the original budget.

## **SANDUSKY COUNTY**

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

#### **Using the Basic Financial Statements (BFS)**

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

The statement of net position and 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 remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of the County, there are three major governmental funds. The general fund is the largest major fund.

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

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

The statement of net position and the statement of activities answer the question, how did we do financially during 2016? These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

##### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of

## **SANDUSKY COUNTY**

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

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, human services and County board of developmental disabilities (DD).

#### ***Governmental Funds***

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

#### ***Proprietary Funds***

The County maintains two 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 an enterprise fund to account for its sanitary sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded workers compensation insurance program for employees of the County and several governmental units within the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## SANDUSKY COUNTY

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

#### **Notes to the Financial Statements**

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

#### **Required Supplementary Information**

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

#### **Government-Wide Financial Analysis**

The statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net position for 2016 and 2015.

	Net Position					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<b>Assets</b>						
Current and other assets	\$ 64,437,632	\$ 1,340,360	\$ 56,607,606	\$ 1,293,138	\$ 65,777,992	\$ 57,900,744
Capital assets	46,115,422	8,673,267	45,056,505	7,486,668	54,788,689	52,543,173
Total assets	110,553,054	10,013,627	101,664,111	8,779,806	120,566,681	110,443,917
Deferred outflows	9,484,718	140,938	5,018,420	79,736	9,625,656	5,098,156
Total assets and deferred outflows	120,037,772	10,154,565	106,682,531	8,859,542	130,192,337	115,542,073
<b>Liabilities</b>						
Long-term liabilities outstanding	24,708,838	4,991,252	15,525,085	3,939,984	29,700,090	19,465,069
Other liabilities	4,288,070	84,106	3,044,169	119,597	4,372,176	3,163,766
Total liabilities	28,996,908	5,075,358	18,569,254	4,059,581	34,072,266	22,628,835
Deferred inflows	11,199,041	3,893	10,398,281	2,472	11,202,934	10,400,753
Total liabilities and deferred inflows	40,195,949	5,079,251	28,967,535	4,062,053	45,275,200	33,029,588
<b>Net Position</b>						
Net investment in capital assets	39,318,922	3,909,602	42,291,069	3,716,406	43,228,524	46,007,475
Restricted	26,534,545	-	22,236,985	-	26,534,545	22,236,985
Unrestricted	13,988,356	1,165,712	13,186,942	1,081,083	15,154,068	14,268,025
Total net position	\$ 79,841,823	\$ 5,075,314	\$ 77,714,996	\$ 4,797,489	\$ 84,917,137	\$ 82,512,485

The County has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting

## SANDUSKY COUNTY

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

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

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

Under the standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

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

**SANDUSKY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**UNAUDITED**  
**(CONTINUED)**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$84,917,137. This amounts to \$79,841,823 in governmental activities and \$5,075,314 in business-type activities. The County's finances remained strong during 2016, despite the slow economic recovery.

Capital assets reported on the government-wide statements represent the largest portion of the County's net position. At year-end, capital assets represented 42.08% of total governmental and business-type position and deferred outflows of resources. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, water and sewer lines and infrastructure. The net investment in capital assets at December 31, 2016, was \$43,228,524. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital position is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2016, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the County's net position, \$26,534,545, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net position of \$13,988,356 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2016 and 2015.

**SANDUSKY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**UNAUDITED**  
**(CONTINUED)**

	<b>Change in Net Position</b>					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 8,909,737	\$ 1,760,814	\$ 8,908,785	\$ 1,569,910	\$ 10,670,551	\$ 10,478,695
Operating grants and contributions	19,677,428	-	19,677,408	-	19,677,428	19,677,408
Capital grants and contributions	<u>187,033</u>	<u>-</u>	<u>853,436</u>	<u>66,410</u>	<u>187,033</u>	<u>919,846</u>
Total program revenues	<u>28,774,198</u>	<u>1,760,814</u>	<u>29,439,629</u>	<u>1,636,320</u>	<u>30,535,012</u>	<u>31,075,949</u>
General revenues:						
Property taxes	9,944,290	-	9,791,666	-	9,944,290	9,791,666
Sales tax	11,393,983	-	11,305,723	-	11,393,983	11,305,723
Unrestricted grants	2,196,627	-	2,946,757	-	2,196,627	2,946,757
Investment earnings	299,070	5,146	209,608	2,475	304,216	212,083
Other	<u>1,849,360</u>	<u>34,067</u>	<u>1,702,713</u>	<u>4,625</u>	<u>1,883,427</u>	<u>1,707,338</u>
Total general revenues	<u>25,683,330</u>	<u>39,213</u>	<u>25,956,467</u>	<u>7,100</u>	<u>25,722,543</u>	<u>25,963,567</u>
Total revenues	<u>54,457,528</u>	<u>1,800,027</u>	<u>55,396,096</u>	<u>1,643,420</u>	<u>56,257,555</u>	<u>57,039,516</u>
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<b>Expenses</b>						
Program expenses:						
General government	11,630,563	-	11,269,749	-	11,630,563	11,269,749
Public safety	11,398,725	-	12,651,106	-	11,398,725	12,651,106
Public works	7,152,214	-	6,095,358	-	7,152,214	6,095,358
Health	274,367	-	727,779	-	274,367	727,779
Human services	21,257,053	-	20,402,800	-	21,257,053	20,402,800
Economic development and assistance	193,861	-	341,944	-	193,861	341,944
Intergovernmental	186,300	-	186,300	-	186,300	186,300
Interest and fiscal charges	223,867	-	130,269	-	223,867	130,269
Sanitary sewer	<u>-</u>	<u>1,535,953</u>	<u>-</u>	<u>1,788,052</u>	<u>1,535,953</u>	<u>1,788,052</u>
Total expenses	<u>52,316,950</u>	<u>1,535,953</u>	<u>51,805,305</u>	<u>1,788,052</u>	<u>53,852,903</u>	<u>53,593,357</u>
Increase (decrease) in net position before transfers	2,140,578	264,074	3,590,791	(144,632)	2,404,652	3,446,159
Transfers	<u>(13,751)</u>	<u>13,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	2,126,827	277,825	3,590,791	(144,632)	2,404,652	3,446,159
Net position at the beginning of the year	<u>77,714,996</u>	<u>4,797,489</u>	<u>74,124,205</u>	<u>4,942,121</u>	<u>82,512,485</u>	<u>79,066,326</u>
Net position at the end of the year	<u>\$ 79,841,823</u>	<u>\$ 5,075,314</u>	<u>\$ 77,714,996</u>	<u>\$ 4,797,489</u>	<u>\$ 84,917,137</u>	<u>\$ 82,512,485</u>

## SANDUSKY COUNTY

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

#### Governmental Activities

Governmental net position increased by \$2,126,827 in 2016 over 2015, and this increase can be attributed to the increase in County Board of DD fund balance and unspent bond proceeds from the courthouse renovation project.

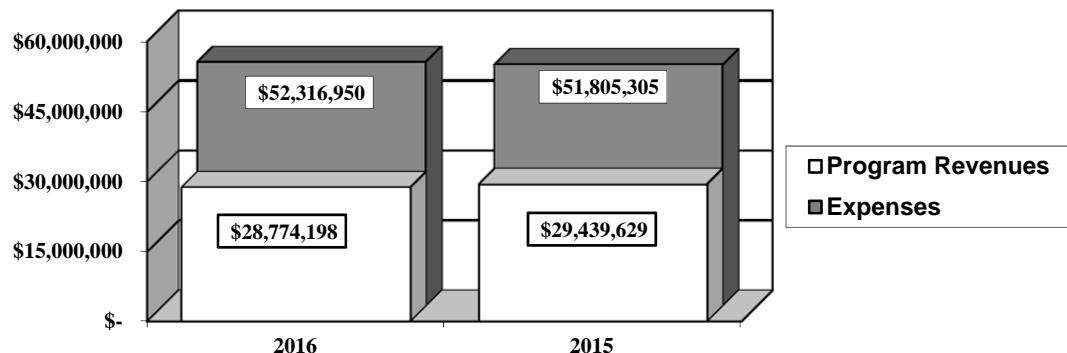
Human services expenses, which support the operations of the County board of DD, Job and Family Services (human services fund), Veteran Services, and the Children Services Board, accounts for \$21,257,053 of expenses, or 40.63% of total governmental expenses of the County. These expenses were funded by \$407,925 in charges to users of services and \$13,307,047 in operating grants and contributions in 2016. General government expenses which includes legislative and executive and judicial programs, totaled \$11,630,563 or 22.23% of total governmental expenses. General government expenses were covered by \$3,643,244 of direct charges to users and \$143,668 in operating grants and contributions in 2016.

The State and Federal government contributed to the County revenues of \$19,677,428 in operating grants and contributions and \$187,033 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$13,307,047, or 67.63%, subsidized human services programs.

Governmental general revenues totaled \$25,683,330, and amounted to 47.16% of total revenues. These revenues primarily consist of property and sales tax revenue of \$21,338,273, or 83.08% of total governmental general revenues in 2016. The other primary source of general revenues is grants and entitlements not restricted to specific programs, which consists primarily of local government revenue and property tax reimbursements received from the State, \$2,196,627, or 8.55% of total governmental general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

#### Governmental Activities – Program Revenues vs. Total Expenses



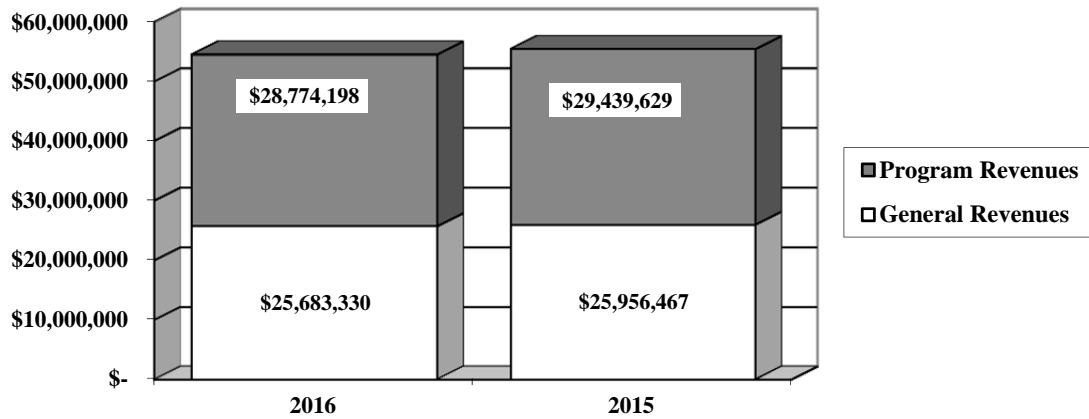
**SANDUSKY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**UNAUDITED**  
**(CONTINUED)**

**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program expenses:</b>				
General government	\$ 11,630,563	\$ 7,843,651	\$ 11,269,749	\$ 7,422,967
Public safety	11,398,725	6,653,420	12,651,106	7,863,223
Public works	7,152,214	1,221,479	6,095,358	(651,201)
Health	274,367	(63,968)	727,779	408,494
Human services	21,257,053	7,542,081	20,402,800	6,975,736
Economic development and assistance	193,861	(37,124)	341,944	41,300
Intergovernmental	186,300	186,300	186,300	186,300
Interest and fiscal charges	223,867	196,913	130,269	118,857
Total	<u>\$ 52,316,950</u>	<u>\$ 23,542,752</u>	<u>\$ 51,805,305</u>	<u>\$ 22,365,676</u>

The dependence upon general revenues for governmental activities is apparent, with 45.00% of expenses supported through taxes and other general revenues during 2016.

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

The sanitary sewer is the County's only enterprise fund. This program had revenues and transfers of \$1,813,778 and expenses of \$1,535,953 for 2016. The sanitary sewer fund's net position balance increased \$277,825 in 2016 from increased sewer fees.

## SANDUSKY COUNTY

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

#### 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, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds reported a combined fund balance of \$38,776,372, which is \$5,059,386 greater than last year's total of \$33,716,986. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 for all major and non-major governmental funds.

	Fund Balance <u>December 31, 2016</u>	Fund Balance <u>December 31, 2015</u>	Increase (Decrease)
<b>Major funds:</b>			
General	\$ 5,999,912	\$ 6,407,377	\$ (407,465)
Human services	1,623,074	1,549,624	73,450
County board of DD	11,162,666	9,992,435	1,170,231
Other nonmajor governmental funds	<u>19,990,720</u>	<u>15,767,550</u>	<u>4,223,170</u>
Total	<u>\$ 38,776,372</u>	<u>\$ 33,716,986</u>	<u>\$ 5,059,386</u>

##### ***General Fund***

The general fund, the County's largest major fund, had revenues and other financing sources of \$19,178,079 in 2016, an increase of \$638,101 from 2015 revenues. The general fund had expenditures and other financing uses of \$19,585,544 in 2016, an increase of \$595,243 from 2015. The fund balance of the general fund decreased \$407,465 from 2015 to 2016, and this decrease can be attributed to expenses for updating courthouse servers and relocating offices and rent for office space during the courthouse renovation project as well as updates to the county jail and sheriff cruisers.

##### ***Human Services Fund***

The human services fund, a County major fund, had revenues of \$6,376,910 in 2016. The human services fund had expenditures of \$6,303,460 in 2016. The fund balance of the human services fund increased \$73,450 from 2015 to 2016 from annual expenditures fluctuating based on the need for services/assistance.

##### ***County Board of Developmental Disabilities Fund***

The County board of developmental disabilities (DD) fund, a County major fund, had revenues and other financing sources of \$10,296,565 and expenditures of \$9,126,334 in 2016. The fund balance of the County board of DD fund increased \$1,170,231 from 2015 to 2016, and this increase can be attributed to employee and benefit expenses decreasing due to privatizing certain services.

## SANDUSKY COUNTY

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

#### ***Budgeting Highlights - General Fund***

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The original budgeted revenues and other financing sources were \$200,242 less than the final budgeted revenues and other financing sources. Actual revenues and other financing sources of \$17,774,835 were more than original budgeted revenues and other financing sources by \$644,877. The final budgeted appropriations and other financing uses were greater than actual expenditures and other financing uses by \$297,590.

#### ***Proprietary Funds***

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

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

At the end of 2016, the County had \$54,788,689 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress, sewer and water lines and infrastructure. Of this total, \$46,115,422 was reported in governmental activities and \$8,673,267 was reported in business-type activities. The following table shows 2016 balances compared to 2015:

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,407,198	\$ 1,407,198	\$ 66,328	\$ 66,328	\$ 1,473,526	\$ 1,473,526
Land improvements	228,328	259,616	20,140	23,211	248,468	282,827
Building and improvements	14,049,560	14,728,602	67,437	73,118	14,116,997	14,801,720
Furniture and equipment	2,581,373	2,539,119	37,122	52,317	2,618,495	2,591,436
Vehicles	2,424,522	2,458,150	55,519	69,306	2,480,041	2,527,456
Infrastructure	23,156,831	23,663,820	-	-	23,156,831	23,663,820
Construction in progress	2,267,610	-	1,816,632	2,291,666	4,084,242	2,291,666
Sewer and water lines	-	-	6,610,089	4,910,722	6,610,089	4,910,722
Total	<u>\$ 46,115,422</u>	<u>\$ 45,056,505</u>	<u>\$ 8,673,267</u>	<u>\$ 7,486,668</u>	<u>\$ 54,788,689</u>	<u>\$ 52,543,173</u>

During 2016, the County's governmental activities had \$4,490,232 in additions, \$232,147 (net of accumulated depreciation) in deletions and \$3,199,168 in depreciation expense. The increase in the County's governmental activities capital assets for 2016 was \$1,058,917. See Note 10 to the basic

## SANDUSKY COUNTY

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

financial statements for detail on governmental activities and business-type activities capital assets.

#### **Debt Administration**

At December 31, 2016, the County's governmental activities had \$9,463,705 in special assessment bonds, special obligation bonds, capital leases and OPWC loans. Of this total, \$1,032,313 is due within one year and \$8,431,392 is due in greater than one year. At December 31, 2016, the County's business-type activities had \$4,763,665 in OWPC and OPWC loans outstanding. Of this total, \$189,521 is due within one year and \$4,574,144 is due in greater than one year. The following table summarizes the bonds, leases and loans outstanding.

#### **Outstanding Debt, at Year End**

	Governmental Activities 2016	Business-Type Activities 2016	Governmental Activities 2015	Business-Type Activities 2015
Long-term obligations:				
Special obligation bonds	\$ 8,490,000	\$ -	\$ 3,805,000	\$ -
Special assessment bonds	3,520	-	12,941	-
OPWC/OWPC loans	106,118	4,763,665	109,908	3,770,262
Capital lease obligation	<u>864,067</u>	<u>-</u>	<u>181,210</u>	<u>-</u>
Total	<u>\$ 9,463,705</u>	<u>\$ 4,763,665</u>	<u>\$ 4,109,059</u>	<u>\$ 3,770,262</u>

See Note 13 to the basic financial statements for additional disclosures and detail regarding the County's debt activity.

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

The County's current estimated population is 60,944.

The County's unemployment rate is currently 4.80%, compared to the 4.70% state average and the 4.50% national average.

These economic factors were considered in preparing the County's budget for 2016. With the continuation of conservative budgeting practices, the County's financial position should remain strong in future years.

#### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Jerri A. Miller, Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

SANDUSKY COUNTY

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Primary Government				Component Unit Sandusky County	Component Unit (cash basis)
	Governmental Activities	Business-type Activities	Total		Land Reutilization Corporation	Airport Authority
<b>Assets:</b>						
Equity in pooled cash and investments . . . . .	\$ 37,667,168	\$ 1,244,356	\$ 38,911,524	\$ 19,035	\$ 228,791	
Cash and cash equivalents with fiscal agents . . . . .	182,835	-	182,835	-	-	
Receivables (net of allowance for uncollectibles):						
Sales taxes . . . . .	2,981,012	-	2,981,012	-	-	
Real estate and other taxes . . . . .	11,889,102	-	11,889,102	-	-	
Accounts . . . . .	549,430	83,872	633,302	-	-	
Special assessments . . . . .	306,706	21,995	328,701	-	-	
Accrued interest . . . . .	53,453	-	53,453	-	-	
Due from other governments . . . . .	5,549,370	-	5,549,370	-	-	
Loans receivable . . . . .	41,494	-	41,494	-	-	
Internal balances . . . . .	12,000	(12,000)	-	-	-	
Prepayments . . . . .	153,853	1,577	155,430	766	-	
Materials and supplies inventory . . . . .	464,036	-	464,036	-	-	
Loans due from other funds . . . . .	55	-	55	-	-	
Due from component units . . . . .	75,000	-	75,000	-	-	
Net pension asset . . . . .	36,289	560	36,849	-	-	
Investment in joint ventures . . . . .	4,475,829	-	4,475,829	-	-	
Capital assets:						
Non-depreciable capital assets . . . . .	3,674,808	1,882,960	5,557,768	-	-	
Depreciable capital assets, net . . . . .	42,440,614	6,790,307	49,230,921	-	-	
Total capital assets, net . . . . .	46,115,422	8,673,267	54,788,689	-	-	
Total assets . . . . .	110,553,054	10,013,627	120,566,681	19,801	228,791	
<b>Deferred outflows of resources:</b>						
Unamortized deferred charges on debt refunding . . . . .	21,648	-	21,648	-	-	
Pension - OPERS . . . . .	9,129,212	140,938	9,270,150	-	-	
Pension - STRS . . . . .	333,858	-	333,858	-	-	
Total deferred outflows of resources . . . . .	9,484,718	140,938	9,625,656	-	-	
<b>Liabilities:</b>						
Accounts payable . . . . .	1,051,939	16,386	1,068,325	3,949	-	
Contracts payable . . . . .	1,400,149	-	1,400,149	-	-	
Accrued wages and benefits payable . . . . .	735,928	10,493	746,421	-	-	
Due to other governments . . . . .	964,476	57,227	1,021,703	75,000	-	
Accrued interest payable . . . . .	19,884	-	19,884	-	-	
Amount to be repaid to claimants . . . . .	115,694	-	115,694	-	-	
Long-term liabilities:						
Due within one year . . . . .	2,108,148	209,158	2,317,306	-	-	
Due in more than one year:						
Net pension liability . . . . .	13,265,117	188,297	13,453,414	-	-	
Due in more than one year . . . . .	9,335,573	4,593,797	13,929,370	-	-	
Total liabilities . . . . .	28,996,908	5,075,358	34,072,266	78,949	-	
<b>Deferred inflows of resources:</b>						
Property taxes levied for the next year . . . . .	10,919,612	-	10,919,612	-	-	
Pension - OPERS . . . . .	252,167	3,893	256,060	-	-	
Pension - STRS . . . . .	27,262	-	27,262	-	-	
Total deferred inflows of resources . . . . .	11,199,041	3,893	11,202,934	-	-	
<b>Net position:</b>						
Net investment in capital assets . . . . .	39,318,922	3,909,602	43,228,524	-	-	
Restricted for:						
Debt service . . . . .	236,492	-	236,492	-	-	
Capital projects . . . . .	386,993	-	386,993	-	-	
Public works projects . . . . .	3,067,143	-	3,067,143	-	-	
Public safety programs . . . . .	6,059,651	-	6,059,651	-	-	
Human services programs . . . . .	12,754,494	-	12,754,494	-	-	
Health programs . . . . .	167,464	-	167,464	-	-	
Other purposes . . . . .	3,862,308	-	3,862,308	-	33	
Unrestricted (deficit) . . . . .	13,988,356	1,165,712	15,154,068	(59,148)	228,758	
Total net position (deficit) . . . . .	\$ 79,841,823	\$ 5,075,314	\$ 84,917,137	\$ (59,148)	\$ 228,791	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Program Revenues</b>				
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental activities:</b>					
Current:					
General government:					
Legislative and executive. . . . .	\$ 7,223,344	\$ 2,076,307	\$ 63,088	\$ -	-
Judicial . . . . .	4,407,219	1,566,937	80,580		-
Public safety. . . . .	11,398,725	3,219,537	1,525,768		-
Public works . . . . .	7,152,214	1,276,768	4,466,934		187,033
Health . . . . .	274,367	335,309	3,026		-
Human services . . . . .	21,257,053	407,925	13,307,047		-
Economic development and assistance . . . . .	193,861	-	230,985		-
Intergovernmental . . . . .	186,300	-	-		-
Interest and fiscal charges . . . . .	223,867	26,954	-		-
Total governmental activities . . . . .	<u>52,316,950</u>	<u>8,909,737</u>	<u>19,677,428</u>		<u>187,033</u>
<b>Business-type activities:</b>					
Sanitary sewer. . . . .	<u>1,535,953</u>	<u>1,760,814</u>	<u>-</u>		<u>-</u>
Totals primary government. . . . .	<u>\$ 53,852,903</u>	<u>\$ 10,670,551</u>	<u>\$ 19,677,428</u>	<u>\$ 187,033</u>	
<b>Component unit:</b>					
Sandusky County Land Reutilization Corporation. . . . .	\$ 165,016	\$ -	\$ -	\$ -	-
Airport authority (cash basis)	511,122	511,548	46,950		-
	<u>\$ 676,138</u>	<u>\$ 511,548</u>	<u>\$ 46,950</u>	<u>\$ -</u>	

**General revenues:**

Property taxes levied for:

    General fund. . . . .  
    Human services - County Board of DD . . . . .  
    Human services - Senior Citizens . . . . .  
    Public safety 911 systems . . . . .

Sales taxes levied for:

    General fund. . . . .  
    Public safety - EMS . . . . .  
Grants and entitlements not restricted to specific programs . . . . .  
Investment earnings . . . . .  
Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers. . . . .

Change in net position . . . . .

**Net position at beginning of year.** . . . . .

**Net positon (deficit) at end of year** . . . . .

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Unit	Component Unit	
Governmental Activities	Business-type Activities	Total	Sandusky County	Land Reutilization Corporation	Airport Authority
\$ (5,083,949)	\$ -	\$ (5,083,949)	\$ -	\$ -	\$ -
(2,759,702)	-	(2,759,702)	-	-	-
(6,653,420)	-	(6,653,420)	-	-	-
(1,221,479)	-	(1,221,479)	-	-	-
63,968	-	63,968	-	-	-
(7,542,081)	-	(7,542,081)	-	-	-
37,124	-	37,124	-	-	-
(186,300)	-	(186,300)	-	-	-
(196,913)	-	(196,913)	-	-	-
<u>(23,542,752)</u>	<u>-</u>	<u>(23,542,752)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>224,861</u>	<u>224,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(23,542,752)</u>	<u>224,861</u>	<u>(23,317,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,016)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,376</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,016)</u>	<u>47,376</u>	<u>-</u>
 2,833,053	 -	 2,833,053	 -	 -	 -
6,219,696	-	6,219,696	-	-	-
609,247	-	609,247	-	-	-
282,294	-	282,294	-	-	-
 9,495,864	 -	 9,495,864	 -	 -	 -
1,898,119	-	1,898,119	-	-	-
2,196,627	-	2,196,627	95,648	-	-
299,070	5,146	304,216	-	-	-
<u>1,849,360</u>	<u>34,067</u>	<u>1,883,427</u>	<u>-</u>	<u>14,596</u>	<u>-</u>
<u>25,683,330</u>	<u>39,213</u>	<u>25,722,543</u>	<u>95,648</u>	<u>14,596</u>	<u>-</u>
<u>(13,751)</u>	<u>13,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>25,669,579</u>	<u>52,964</u>	<u>25,722,543</u>	<u>95,648</u>	<u>14,596</u>	<u>-</u>
2,126,827	277,825	2,404,652	(69,368)	61,972	-
<u>77,714,996</u>	<u>4,797,489</u>	<u>82,512,485</u>	<u>10,220</u>	<u>166,819</u>	<u>-</u>
<u>\$ 79,841,823</u>	<u>\$ 5,075,314</u>	<u>\$ 84,917,137</u>	<u>\$ (59,148)</u>	<u>\$ 228,791</u>	<u>-</u>

**SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>General</b>	<b>Human Services</b>	<b>County Board of DD</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,429,178	\$ 1,562,473	\$ 11,368,623	\$ 20,142,996	\$ 37,503,270
Cash and cash equivalents with fiscal agents . . . . .	-	-	-	182,835	182,835
Receivables (net of allowance for uncollectibles):					
Sales taxes. . . . .	2,484,199	-	-	496,813	2,981,012
Real estate and other taxes . . . . .	3,180,643	-	7,036,580	1,671,879	11,889,102
Accounts. . . . .	163,287	784	200	385,159	549,430
Special assessments . . . . .	-	-	-	306,706	306,706
Accrued interest . . . . .	50,292	-	-	3,161	53,453
Due from other governments . . . . .	1,064,877	318,361	718,137	3,440,652	5,542,027
Loans receivable . . . . .	-	-	-	41,494	41,494
Interfund loans receivable. . . . .	202,633	-	-	191,107	393,740
Due from other funds. . . . .	987	-	-	-	987
Prepayments . . . . .	115,489	23,290	126	14,948	153,853
Materials and supplies inventory . . . . .	137,606	15,957	10,136	300,337	464,036
Loans due from other funds. . . . .	-	-	-	55	55
Due from component units. . . . .	75,000	-	-	-	75,000
<b>Total assets . . . . .</b>	<b>\$ 11,904,191</b>	<b>\$ 1,920,865</b>	<b>\$ 19,133,802</b>	<b>\$ 27,178,142</b>	<b>\$ 60,137,000</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 129,276	\$ 105,476	\$ 134,965	\$ 682,222	\$ 1,051,939
Contracts payable . . . . .	8,157	-	-	1,391,992	1,400,149
Accrued wages and benefits payable . . . . .	301,653	118,244	109,987	206,044	735,928
Compensated absences payable . . . . .	8,744	-	-	-	8,744
Due to other funds . . . . .	-	-	-	987	987
Due to other governments . . . . .	274,728	74,071	111,716	503,961	964,476
Interfund loans payable. . . . .	179,107	-	-	202,633	381,740
Amount to be repaid to claimants. . . . .	115,694	-	-	-	115,694
<b>Total liabilities . . . . .</b>	<b>1,017,359</b>	<b>297,791</b>	<b>356,668</b>	<b>2,987,839</b>	<b>4,659,657</b>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next year . . . . .	2,921,279	-	6,462,786	1,535,547	10,919,612
Delinquent property tax revenue not available. . . . .	259,364	-	573,794	136,332	969,490
Accrued interest not available. . . . .	20,003	-	-	-	20,003
Sales tax revenue not available . . . . .	963,723	-	-	192,740	1,156,463
Special assessments revenue not available . . . . .	-	-	-	306,706	306,706
Other nonexchange transactions . . . . .	477,992	-	408,967	1,431,293	2,318,252
Unavailable grant revenue . . . . .	32,787	-	19,326	454,312	506,425
Miscellaneous revenue not available . . . . .	211,772	-	149,595	142,653	504,020
<b>Total deferred inflows of resources . . . . .</b>	<b>4,886,920</b>	<b>-</b>	<b>7,614,468</b>	<b>4,199,583</b>	<b>16,700,971</b>
<b>Fund balances:</b>					
Nonspendable . . . . .	633,439	39,247	10,262	315,285	998,233
Restricted . . . . .	16,814	1,583,827	11,152,404	16,254,512	29,007,557
Committed. . . . .	82,141	-	-	3,609,519	3,691,660
Assigned. . . . .	1,091,780	-	-	-	1,091,780
Unassigned (deficit) . . . . .	4,175,738	-	-	(188,596)	3,987,142
<b>Total fund balances. . . . .</b>	<b>5,999,912</b>	<b>1,623,074</b>	<b>11,162,666</b>	<b>19,990,720</b>	<b>38,776,372</b>
<b>Total liabilities, deferred inflows of resources and fund balances . . . . .</b>	<b>\$ 11,904,191</b>	<b>\$ 1,920,865</b>	<b>\$ 19,133,802</b>	<b>\$ 27,178,142</b>	<b>\$ 60,137,000</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

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

<b>Total governmental fund balances</b>	\$ 38,776,372
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,115,422
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.	
Real and other taxes receivable	\$ 969,490
Sales taxes receivable	1,156,463
Special assessments receivable	306,706
Accrued interest receivable	20,003
Charges for services	105,691
Intergovernmental revenues	<u>3,223,006</u>
Total	5,781,359
The investments in joint ventures by governmental activities are not financial resources and therefore are not reported in fund balance at year end.	4,475,829
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.	171,241
On the statement of net position interest is accrued on outstanding bonds payable, whereas in the governmental funds, interest is accrued when due.	(19,884)
Unamortized premiums are amortized over the life of the bonds on the statement of net position.	(217,237)
Unamortized discounts are amortized over the life of the bonds on the statement of net position.	6,542
Unamortized deferred amounts on refundings are not recognized in the governmental funds.	21,648
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not recognized in the governmental funds.	
Deferred outflows of resources - pension	9,463,070
Deferred inflows of resources - pension	(279,429)
Net pension asset	36,289
Net pension liability	<u>(13,265,117)</u>
Total	(4,045,187)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Special obligation bonds	8,490,000
Special assessment bonds	3,520
Capital lease payable	864,067
Loans payable	106,118
Compensated absences	<u>1,760,577</u>
Total	<u>(11,224,282)</u>
<b>Net position of governmental activities</b>	<u>\$ 79,841,823</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

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

	<b>General</b>	<b>Human Services</b>	<b>County Board of DD</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Real estate and other taxes . . . . .	\$ 2,867,463	\$ -	\$ 6,290,648	\$ 836,880	\$ 9,994,991
Sales taxes. . . . .	9,454,178	-	-	1,889,739	11,343,917
Charges for services . . . . .	2,465,606	-	133,750	4,093,324	6,692,680
Licenses and permits . . . . .	2,745	-	-	241,621	244,366
Fines and forfeitures . . . . .	457,532	-	-	332,530	790,062
Intergovernmental . . . . .	1,924,124	6,368,978	3,691,165	9,486,311	21,470,578
Special assessments . . . . .	-	-	-	260,168	260,168
Investment income . . . . .	284,890	-	-	20,942	305,832
Rental income . . . . .	126,657	-	-	435,498	562,155
Contributions and donations . . . . .	2,198	7,932	13,534	55,335	78,999
Refunds and reimbursements . . . . .	1,512,412	-	-	227,405	1,739,817
Other . . . . .	50,281	-	-	231,825	282,106
<b>Total revenues . . . . .</b>	<b>19,148,086</b>	<b>6,376,910</b>	<b>10,129,097</b>	<b>18,111,578</b>	<b>53,765,671</b>
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	5,920,312	-	-	888,941	6,809,253
Judicial. . . . .	3,502,693	-	-	796,499	4,299,192
Public safety . . . . .	7,299,862	-	-	4,545,283	11,845,145
Public works. . . . .	-	-	-	5,163,691	5,163,691
Health . . . . .	129,337	-	-	268,559	397,896
Human services . . . . .	677,833	6,303,460	8,907,543	4,788,011	20,676,847
Economic development and assistance . . . . .	-	-	-	127,325	127,325
Intergovernmental . . . . .	186,300	-	-	-	186,300
Capital outlay . . . . .	29,993	-	167,468	4,327,315	4,524,776
Debt service:					
Principal retirement. . . . .	39,542	-	45,528	880,269	965,339
Interest and fiscal charges . . . . .	6,748	-	5,795	166,216	178,759
Bond issuance costs . . . . .	-	-	-	39,825	39,825
<b>Total expenditures . . . . .</b>	<b>17,792,620</b>	<b>6,303,460</b>	<b>9,126,334</b>	<b>21,991,934</b>	<b>55,214,348</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,355,466	73,450	1,002,763	(3,880,356)	(1,448,677)
<b>Other financing sources (uses):</b>					
Bond issuance . . . . .	-	-	-	5,500,000	5,500,000
Capital lease transaction . . . . .	29,993	-	167,468	622,524	819,985
Transfers in. . . . .	-	-	-	2,466,672	2,466,672
Transfers (out) . . . . .	(1,792,924)	-	-	(673,748)	(2,466,672)
Premium on bond issuance . . . . .	-	-	-	188,078	188,078
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,762,931)</b>	<b>-</b>	<b>167,468</b>	<b>8,103,526</b>	<b>6,508,063</b>
Net change in fund balances . . . . .	(407,465)	73,450	1,170,231	4,223,170	5,059,386
<b>Fund balances at beginning of year . . . . .</b>	<b>6,407,377</b>	<b>1,549,624</b>	<b>9,992,435</b>	<b>15,767,550</b>	<b>33,716,986</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 5,999,912</b>	<b>\$ 1,623,074</b>	<b>\$ 11,162,666</b>	<b>\$ 19,990,720</b>	<b>\$ 38,776,372</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

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

<b>Net change in fund balances - total governmental funds</b>	\$ 5,059,386
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.	
Capital asset additions	\$ 4,490,232
Current year depreciation	<u>(3,199,168)</u>
Total	1,291,064
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.	
(232,147)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate and other taxes	(50,701)
Sales taxes	50,066
Special assessments	68,883
Interest	935
Charges for service	52,331
Intergovernmental	<u>498,997</u>
Total	620,511
Increases in the value of investment in joint ventures that do not provide current financial resources are not reported in the funds.	
71,346	
Proceeds of bonds and capital leases are reported as other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.	
(6,319,985)	
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.	
(188,078)	
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
965,339	
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
Increase in accrued interest payable	(10,691)
Amortization of deferred amounts on refunding	(3,659)
Amortization of bond premiums	9,666
Amortization of bond discounts	<u>(599)</u>
Total	(5,283)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
590,775	
Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
3,367,638	
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.	
(3,109,309)	
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities.	
Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>15,570</u>
<b>Change in net position of governmental activities</b>	<u>\$ 2,126,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive (Negative)</b>	
<b>Revenues:</b>					
Real estate and other taxes . . . . .	\$ 3,257,126	\$ 3,295,200	\$ 2,882,376	\$ (412,824)	
Sales taxes . . . . .	5,337,844	5,400,242	5,654,478	254,236	
Charges for services. . . . .	1,630,935	1,650,000	1,741,929	91,929	
Licenses and permits . . . . .	1,977	2,000	2,770	770	
Fines and forfeitures . . . . .	454,685	460,000	466,471	6,471	
Intergovernmental. . . . .	1,911,654	1,934,000	1,952,487	18,487	
Special assessments . . . . .	-	-	-	-	
Investment income. . . . .	197,689	200,000	295,806	95,806	
Rental income . . . . .	137,155	138,758	126,657	(12,101)	
Refunds and reimbursements. . . . .	1,503,885	1,521,465	1,487,893	(33,572)	
Total revenues . . . . .	<u>14,432,950</u>	<u>14,601,665</u>	<u>14,610,867</u>	<u>9,202</u>	
<b>Expenditures:</b>					
Current:					
General government:					
Legislative and executive . . . . .	5,825,974	5,851,220	5,715,797	135,423	
Judicial . . . . .	3,595,582	3,661,434	3,604,763	56,671	
Public safety . . . . .	6,983,079	7,507,952	7,393,895	114,057	
Health . . . . .	130,442	131,055	130,055	1,000	
Human services. . . . .	721,478	710,364	682,804	27,560	
Intergovernmental. . . . .	186,300	186,300	186,300	-	
Total expenditures . . . . .	<u>17,442,855</u>	<u>18,048,325</u>	<u>17,713,614</u>	<u>334,711</u>	
Excess of expenditures over revenues . . . . .	<u>(3,009,905)</u>	<u>(3,446,660)</u>	<u>(3,102,747)</u>	<u>343,913</u>	
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	2,697,008	2,728,535	3,116,968	388,433	
Transfers out. . . . .	(944,893)	(959,031)	(997,044)	(38,013)	
Advances in . . . . .	-	-	47,000	47,000	
Advances out . . . . .	(7,003)	(97,892)	(97,000)	892	
Total other financing sources (uses). . . . .	<u>1,745,112</u>	<u>1,671,612</u>	<u>2,069,924</u>	<u>398,312</u>	
Net change in fund balance . . . . .	<u>(1,264,793)</u>	<u>(1,775,048)</u>	<u>(1,032,823)</u>	<u>742,225</u>	
<b>Fund balance at beginning of year . . . . .</b>	<b>1,827,209</b>	<b>1,827,209</b>	<b>1,827,209</b>	<b>-</b>	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>216,040</b>	<b>216,040</b>	<b>216,040</b>	<b>-</b>	
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 778,456</u></b>	<b><u>\$ 268,201</u></b>	<b><u>\$ 1,010,426</u></b>	<b><u>\$ 742,225</u></b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

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

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues:</b>					
Intergovernmental. . . . .	\$ 5,237,775	\$ 6,423,000	\$ 6,422,998	\$ (2)	
Contributions and donations. . . . .	6,279	7,700	7,682	(18)	
Total revenues . . . . .	<u>5,244,054</u>	<u>6,430,700</u>	<u>6,430,680</u>	<u>(20)</u>	
<b>Expenditures:</b>					
Current:					
Human services . . . . .	6,296,903	6,574,439	6,448,616	125,823	
Total expenditures . . . . .	<u>6,296,903</u>	<u>6,574,439</u>	<u>6,448,616</u>	<u>125,823</u>	
Net change in fund balance . . . . .	(1,052,849)	(143,739)	(17,936)	125,803	
<b>Fund balance at beginning of year . . . . .</b>	<b>1,118,041</b>	<b>1,118,041</b>	<b>1,118,041</b>	-	
<b>Prior year encumbrances appropriated . . . . .</b>	<b>279,485</b>	<b>279,485</b>	<b>279,485</b>	-	
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 344,677</u></b>	<b><u>\$ 1,253,787</u></b>	<b><u>\$ 1,379,590</u></b>	<b><u>\$ 125,803</u></b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY**

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

	<b>Budgeted Amounts</b>			Variance with Final Budget Positive (Negative)	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues:</b>					
Real estate and other taxes . . . . .	\$ 6,870,037	\$ 7,186,961	\$ 6,320,562	\$ (866,399)	
Charges for services. . . . .	-	-	133,792	133,792	
Intergovernmental. . . . .	2,893,080	3,026,542	3,763,145	736,603	
Contributions and donations. . . . .	14,339	15,000	13,334	(1,666)	
Total revenues . . . . .	<u>9,777,456</u>	<u>10,228,503</u>	<u>10,230,833</u>		<u>2,330</u>
<b>Expenditures:</b>					
Current:					
Human services. . . . .	10,128,446	10,601,470	9,478,765	1,122,705	
Total expenditures . . . . .	<u>10,128,446</u>	<u>10,601,470</u>	<u>9,478,765</u>		<u>1,122,705</u>
Net change in fund balance . . . . .	(350,990)	(372,967)	752,068	1,125,035	
<b>Fund balance at beginning of year</b> . . . . .	9,394,029	9,394,029	9,394,029	-	
<b>Prior year encumbrances appropriated</b> . . . . .	384,051	384,051	384,051	-	
<b>Fund balance at end of year</b> . . . . .	<u>\$ 9,427,090</u>	<u>\$ 9,405,113</u>	<u>\$ 10,530,148</u>		<u>\$ 1,125,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments . . . . .	\$ 1,244,356	\$ 163,898
Receivables (net of allowance for uncollectables):		
Accounts . . . . .	83,872	-
Special assessments . . . . .	21,995	-
Due from other governments . . . . .	-	7,343
Prepayments . . . . .	1,577	-
Total current assets. . . . .	<u>1,351,800</u>	<u>171,241</u>
Noncurrent assets:		
Net pension asset . . . . .	560	-
Capital assets:		
Non-depreciable capital assets . . . . .	1,882,960	-
Depreciable capital assets, net . . . . .	<u>6,790,307</u>	<u>-</u>
Total capital assets, net. . . . .	<u>8,673,267</u>	<u>-</u>
Total assets . . . . .	<u>10,025,627</u>	<u>171,241</u>
<b>Deferred outflows of resources:</b>		
Pension - OPERS	<u>140,938</u>	<u>-</u>
Total assets and deferred outflows of resources .	<u>10,166,565</u>	<u>171,241</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable . . . . .	16,386	-
Accrued wages and benefits payable . . . . .	10,493	-
Compensated absences payable . . . . .	19,637	-
Interfund loans payable. . . . .	12,000	-
Due to other governments . . . . .	57,227	-
OPWC loans payable . . . . .	37,720	-
OWDA loans payable . . . . .	<u>151,801</u>	<u>-</u>
Total current liabilities . . . . .	<u>305,264</u>	<u>-</u>
Long-term liabilities:		
Compensated absences payable . . . . .	19,653	-
OPWC loans payable . . . . .	480,623	-
OWDA loans payable . . . . .	4,093,521	-
Net pension liability . . . . .	188,297	-
Total long-term liabilities . . . . .	<u>4,782,094</u>	<u>-</u>
Total liabilities . . . . .	<u>5,087,358</u>	<u>-</u>
<b>Deferred inflows of resources:</b>		
Pension - OPERS . . . . .	<u>3,893</u>	<u>-</u>
<b>Net position:</b>		
Net investment in capital assets. . . . .	3,909,602	-
Unrestricted . . . . .	<u>1,165,712</u>	<u>171,241</u>
Total net position . . . . .	<u>\$ 5,075,314</u>	<u>\$ 171,241</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

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

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
<b>Operating revenues:</b>		
Charges for services . . . . .	\$ 1,760,814	\$ 204,744
Other . . . . .	34,067	-
Total operating revenues. . . . .	<u>1,794,881</u>	<u>204,744</u>
<b>Operating expenses:</b>		
Personal services . . . . .	404,237	189,174
Contract services. . . . .	596,806	-
Materials and supplies. . . . .	47,013	-
Utilities . . . . .	64,589	-
Depreciation. . . . .	270,387	-
Other . . . . .	39,311	-
Total operating expenses. . . . .	<u>1,422,343</u>	<u>189,174</u>
Operating income . . . . .	<u>372,538</u>	<u>15,570</u>
<b>Nonoperating revenues (expenses):</b>		
Interest and fiscal charges . . . . .	(113,610)	-
Interest income. . . . .	5,146	-
Total nonoperating revenues (expenses) . . . . .	<u>(108,464)</u>	<u>-</u>
Income before capital contributions . . . . .	264,074	15,570
Capital contributions. . . . .	<u>13,751</u>	<u>-</u>
Change in net position . . . . .	277,825	15,570
<b>Net position at beginning of year . . . . .</b>	<u>4,797,489</u>	<u>155,671</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 5,075,314</u>	<u>\$ 171,241</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

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

	Business-Type Activities - Sanitary Sewer	Governmental Activities - Internal Service Fund
<b>Cash flows from operating activities:</b>		
Cash received from sales/charges for services . . . . .	\$ 1,791,519	\$ 197,401
Cash received from other operating revenue . . . . .	34,067	-
Cash payments for personal services. . . . .	(405,726)	(189,174)
Cash payments for contractual services . . . . .	(632,767)	-
Cash payments for materials and supplies . . . . .	(47,328)	-
Cash payments for utilities . . . . .	(64,141)	-
Cash payments for other expenses. . . . .	(39,615)	-
Net cash provided by operating activities . . . . .	<u>636,009</u>	<u>8,227</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets . . . . .	(1,456,986)	-
Principal payments on loans . . . . .	(302,194)	-
Interest and fiscal charges . . . . .	(113,610)	-
Capital contributions. . . . .	13,751	-
OWPC loan issuance . . . . .	1,020,597	-
OPWC loan issuance . . . . .	275,000	-
Net cash used in capital and related financing activities . . . . .	<u>(563,442)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest received. . . . .	5,146	-
Net cash provided by investing activities . . . . .	<u>5,146</u>	<u>-</u>
Net increase in cash and cash equivalents . . . . .	77,713	8,227
<b>Cash and cash equivalents at beginning of year</b> . . . . .	<b>1,166,643</b>	<b>155,671</b>
<b>Cash and cash equivalents at end of year</b> . . . . .	<b><u>\$ 1,244,356</u></b>	<b><u>\$ 163,898</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income. . . . .	\$ 372,538	\$ 15,570
Adjustments:		
Depreciation. . . . .	270,387	-
Changes in assets and liabilities:		
Decrease in accounts receivable. . . . .	30,465	-
Decrease special assessment. . . . .	240	-
(Increase) in intergovernmental receivable . . . . .	-	(7,343)
(Increase) in prepayments . . . . .	(24)	-
(Increase) in net pension asset . . . . .	(190)	-
(Increase) in deferred outflows - pension - OPERS . . . . .	(61,202)	-
(Decrease) in accounts payable. . . . .	(36,607)	-
Increase in accrued wages and benefits . . . . .	1,420	-
(Decrease) in intergovernmental payable . . . . .	(304)	-
Increase in compensated absences payable . . . . .	3,852	-
Increase in net pension liability . . . . .	54,013	-
Increase deferred inflows - pension - OPERS . . . . .	1,421	-
Net cash provided by operating activities . . . . .	<u>\$ 636,009</u>	<u>\$ 8,227</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	Investment Trust	Agency
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 6,438,786	\$ 4,397,762
Cash in segregated accounts. . . . .	-	631,092
Receivables:		
Real estate and other taxes . . . . .	-	46,671,623
Accounts . . . . .	217,207	631,498
Special assessments . . . . .	-	1,007,426
Due from other governments. . . . .	2,433	2,337,353
Accrued interest . . . . .	<u>3,588</u>	-
Total assets . . . . .	<u>\$ 6,662,014</u>	<u>\$ 55,676,754</u>
<b>Liabilities:</b>		
Accounts payable . . . . .	\$ 50,158	\$ 110,715
Due to other governments . . . . .	22,750	161,377
Loans due to other funds. . . . .	-	55
Undistributed monies. . . . .	-	54,773,515
Deposits held and due to others . . . . .	<u>-</u>	<u>631,092</u>
Total liabilities . . . . .	<u>72,908</u>	<u>55,676,754</u>
<b>Net position:</b>		
Net position available for pool participants . . . . .	<u>6,589,106</u>	-
Total liabilities and net position. . . . .	<u>\$ 6,662,014</u>	<u>\$ 55,676,754</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
INVESTMENT TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Investment Trust</b>
<b>Additions:</b>	
Net increase in net position resulting from operations . . . . .	\$ 46,224
Total additions . . . . .	<u>46,224</u>
 <b>Share transactions:</b>	
Purchase of units . . . . .	2,873,027
Redemption of units . . . . .	<u>(2,712,108)</u>
Net increase in net position and shares resulting from share transactions . . . . .	<u>160,919</u>
 Change in net position . . . . .	207,143
 <b>Net position at beginning of year</b> . . . . .	<u>6,381,963</u>
 <b>Net position at end of year</b> . . . . .	<u>\$ 6,589,106</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## **SANDUSKY COUNTY**

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

#### **NOTE 1 - DESCRIPTION OF THE COUNTY**

Sandusky County, Ohio (the County), was created in 1820. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County, and who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The primary government consists of all funds, component units, departments, boards and agencies that are not legally separate from the County. For Sandusky County, this includes the Sandusky County Board of Developmental Disabilities (DD); the Children Services Board; and other departments and activities that are directly operated by the elected County officials.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the County's accounting policies are described below.

##### **A. Reporting Entity**

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14, GASB Statement No. 39 and GASB Statement No. 61 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the PCU's Board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County.

Based on the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying basic financial statements as follows:

## SANDUSKY COUNTY

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

#### COMPONENT UNITS

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 that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

#### DISCRETELY PRESENTED COMPONENT UNIT

The component unit columns in the financial statements present the financial data of the County's discretely presented component units, the Sandusky Regional Airport Authority, the Sandusky County Transportation Improvement District, and Sandusky County Land Reutilization Corporation. They are reported separately to emphasize that they are legally separate from the County.

*Sandusky Regional Airport Authority* - The constitution and laws of the State of Ohio establish the rights and privileges of the Sandusky Regional Airport Authority, Sandusky County, Ohio (the Authority), as a body corporate and politic. The Sandusky County Commissioners appoint five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Authority. The County Commissioners are responsible for the debt issued on behalf of the Authority. Due to the imposition of will exerted by the County Commissioners as well as the financial burden for the Authority, the Authority is presented separately as a component unit of the County. The Authority operates on a year ending December 31 and is presented on a cash basis of accounting. Separately issued financial statements can be obtained from Sandusky Regional Airport Authority, 2511 Countryside Drive, Suite D, Fremont Ohio 43420.

*Sandusky County Transportation Improvement District* - The Sandusky County Transportation Improvement District (the District) is a body corporate and politic established to plan, construct and improve highways, roads, bridges, interchanges and accompanying capital improvements and developments throughout Sandusky County. The District was formed under the Ohio Revised Code Chapter 5544.02, by action of the Board of Sandusky County Commissioners on May 22, 2012. The resolution to create the District states the Board shall consist of seven members. The members shall be appointed as follows: five (5) members shall be appointed by the County Commissioners; one (1) nonvoting member appointed by the Speaker of the Ohio House of Representatives of the general assembly; and one (1) nonvoting member appointed by the President of the Senate of the general assembly. Separately issued financial statements can be obtained from the Sandusky County Transportation Improvement District, 622 Croghan Street, Fremont Ohio 43420. The District had no financial activity in 2016.

## SANDUSKY COUNTY

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

Sandusky County Land Reutilization Corporation - The Sandusky County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on June 29, 2015 when the Sandusky County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is for reclaiming, rehabilitating or reutilizing economically non-productive land throughout Sandusky County (the County). The Corporation can potentially address parcels where the fair market value of the property has been greatly exceeded by the delinquent taxes and assessed liens and are therefore not economically feasible to initiate foreclosure actions upon. By establishing the Corporation, the County can begin to address dilapidated housing issues in communities located in the County and also return properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five members including, (1) the County Treasurer, (2) at least two members of the County Board of Commissioners, (3) one member who is a representative of the largest municipal corporation, based on the population according to the most recent federal decennial census, that is located in the County, (4) one member who is a representative of a township with a population of at least ten thousand in the unincorporated area of the township according to the most recent federal decennial census, and (5) any remaining members selected by the County Treasurer and the County Commissioners who are members of the Corporation board. Separately issued financial statements can be obtained from the Sandusky County Land Reutilization Corporation, 100 N. Park Ave. Suite 227, Fremont, Ohio 43420.

#### POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

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 separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the following entities are presented as agency funds within the financial statements:

Sandusky County Regional Planning Commission  
Family and Children First Council  
Sandusky County Soil and Water Conservation District  
Sandusky County Park District  
Sandusky County General Health District

The County is associated with certain organizations which are defined as joint ventures with equity interest, a shared risk pool, and an insurance purchasing pool and a related organization as follows:

#### JOINT VENTURES WITH EQUITY INTEREST

Ottawa, Sandusky, and Seneca County Solid Waste District

## SANDUSKY COUNTY

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

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

The counties share in the equity of the District is based on relative percentages of population within the three counties. Based upon this calculation, Sandusky County's equity interest in the District is \$1,209,347 at December 31, 2016. Financial information can be obtained from the Sandusky County Auditor, 100 North Park Avenue, Fremont, Ohio 43420-2472.

#### Sandusky County - Seneca County - City of Tiffin Port Authority

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

Upon dissolution of the Port Authority, any balance remaining in the Port Authority's funds or any real or personal property belonging to the Port Authority will be distributed equally to the city and the counties after paying all expenses and debts. Sandusky County's equity interest in the Port Authority is \$1,396,711 at December 31, 2016. Financial information can be obtained from the Sandusky County - Seneca County - City of Tiffin Port Authority, James Supance, Chairman, P.O. Box 767, Tiffin, Ohio 44883.

#### Mental Health and Recovery Services Board of Seneca, Sandusky and Wyandot Counties

The Mental Health and Recovery Services Board (MHRS) is a joint venture between Seneca, Sandusky, and Wyandot Counties. The headquarters for MHRS is in Seneca County. MHRS provides community services to mentally ill and emotionally disturbed persons. Statutorily created, the MHRS Board is made of 18 members; 10 of the members are appointed by the county commissioners of each respective county, 4 are appointed by the

## SANDUSKY COUNTY

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

State Department of Mental Health, and 4 are appointed by the State of Ohio Department of Alcohol and Drug Addiction Services. Revenues to provide mental health services are generated through State and Federal grants. The MHRS Board adopts its own budget, hires and fires staff and does not rely on the County to finance deficits.

The counties share in the equity of the MHRS Board is based on the percentages of population within the three counties. Sandusky County's equity interest in this joint venture at December 31, 2016 is \$1,869,771.

Financial information can be obtained from the Seneca County Auditor, RTA Building, Tiffin, Ohio 44883.

#### *SHARED RISK POOL*

##### *County Risk Sharing Authority, Inc. (CORSO)*

The County Risk Sharing Authority, Inc., is a jointly governed organization among sixty-three counties and eighteen county facilities in Ohio. CORSO was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSO 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 CORSO. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The County paid \$230,635 to CORSO during 2016.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county's control over the budgeting and financing of CORSO is limited to its voting authority and any representation it may have on the Board of Trustees.

CORSO 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 CORSO. The participating counties have no responsibility for the payment of the certificates.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

#### *INSURANCE PURCHASING POOL*

##### *County Commissioners Association of Ohio Workers' Compensation Group Rating Plan*

The County is participating in a group retro rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association of Ohio Service Corporation (CCAO) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the

## SANDUSKY COUNTY

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

selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a county commissioner.

#### B. Basis of Presentation

**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 fund 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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the enterprise fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**Fund Financial Statements** - Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e.,

## SANDUSKY COUNTY

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

revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

#### C. Fund Accounting

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

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

Human services - This fund accounts for various federal and State grants, as well as transfers from the general fund used to provide public assistance to general relief recipients to pay their providers for medical assistance and for certain public services.

County Board of Developmental Disabilities (DD) - This fund accounts for the operation of a school and the costs of administering a workshop for the developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

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

#### PROPRIETARY FUNDS

## SANDUSKY COUNTY

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

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

*Enterprise funds* - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The County has presented the following major enterprise fund:

*Sanitary sewer* - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of the County. The costs of providing these services are primarily financed through user charges. The sanitary sewer district has its own facilities and rate structure.

*Internal service fund* - 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 fund accounts for a workers compensation program for employees of the County.

### 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 County's fiduciary funds are agency funds and an investment trust fund which account for monies held for other governments and undistributed assets.

### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal 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.

## SANDUSKY COUNTY

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 all other nonexchange 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 (See Note 7), interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, see Note 15 for deferred outflows of resources related the County's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

For the County, see Note 15 for deferred inflows of resources related to the County's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**Expense/Expenditures** - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

## SANDUSKY COUNTY

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

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

#### E. Budgetary Data

All funds, other than agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The County Auditor has waived the tax budget requirement. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, program, department and object level.

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

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

#### F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During 2016, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

During 2016, the County invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures its investment in STAR Ohio at the net asset

## SANDUSKY COUNTY

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

value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2016 amounted to \$284,890 which includes \$250,312 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the combined balance sheet as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent the investments were purchased from a specific fund rather than the pool.

#### **G. External Investment Pool**

By statute, the County serves as fiscal agent for various legally separate entities. The County pools the monies of these entities with the County's for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of interest that it earns. The fair value of investments for both the internal and external investment pools is disclosed in Note 4, "Deposits and Investments".

Condensed financial information for the investment pool is as follows:

## SANDUSKY COUNTY

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

#### Statement of Net Position December 31, 2016

<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 49,748,072
Accrued interest receivable	<u>53,453</u>
Total	<u>\$ 49,801,525</u>
<u>Net position held in trust for participants:</u>	
Internal portion	\$ 43,362,739
External portion	<u>6,438,786</u>
Total	<u>\$ 49,801,525</u>

#### Statement of Changes in Net Position For the Year Ended December 31, 2016

<u>Revenue:</u>	
Interest income	\$ 46,224
<u>Expenses:</u>	
Operating expenses	<u>-</u>
Net increase in assets resulting from operations	46,224
Distribution to pool participants	(9,059)
<u>Capital transactions:</u>	
Proceeds of investments sold	(43,827,952)
Purchase of investments	<u>49,748,072</u>
Total increase in net position	5,957,285
Net position, beginning of year	<u>43,844,240</u>
Net position, end of year	<u>\$49,801,525</u>

#### H. Inventories of Materials and Supplies

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

#### I. Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental

## SANDUSKY COUNTY

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

funds. These 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 \$5,000. The County's infrastructure consists of roads, bridges, culverts and sanitary sewers. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported 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 replacements. 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	15 - 30 years	15 - 30 years
Buildings and improvements	8 - 40 years	30 - 40 years
Furniture and equipment	5 - 15 years	10 - 20 years
Vehicles	8 - 15 years	15 years
Infrastructure	20 - 50 years	50 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2016, the net interest expense incurred on proprietary fund construction projects was not material.

#### J. Compensated Absences

Compensated absences of the County consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will

## **SANDUSKY COUNTY**

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

compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the vesting method. The County records a liability for accumulated unused sick leave after fifteen years of service with the County or over fifty years of age.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

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

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

#### **K. 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.

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance classification in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

#### **L. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental column on the statement of net position. Loans between governmental funds and agency funds are reported as "loans due from/to other funds" on the financial statements.

#### **M. Loans Receivable**

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

## SANDUSKY COUNTY

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

#### N. 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 and compensated absences that will be paid from governmental funds 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, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

#### O. Interfund Transactions

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

During the normal course of operations, the County has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivable/interfund payable" for the current portion of interfund loans. These amounts are eliminated in the statement of net position, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances".

#### P. Fund Balance

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

## SANDUSKY COUNTY

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Commissioners.

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

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

#### **Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2016 \$13,751 was contributed to the sanitary sewer fund from governmental activities for the commissioner's portions of the Hayes – Phase I project.

#### **R. Operating Revenues and Expenses**

Operating revenues are those that are generated directly from the primary activities of the proprietary funds. For the County, these revenues are charges for services for the sewer and workers compensation programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

#### **S. Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and less deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding

## **SANDUSKY COUNTY**

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

balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **T. Bond Issuance Costs, Bond Premium/Discount and Accounting Loss**

On government-wide financial statements and in the enterprise funds, issuance costs are expensed during the year in which they incurred.

Bond premiums/discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position in the government-wide financial statements and enterprise funds.

The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 13.

#### **U. Estimates**

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

#### **V. 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.

#### **W. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the

## SANDUSKY COUNTY

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

County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items during 2016.

#### X. Fair Value Measurements

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

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County incorporated the corresponding GASB 72 guidance into its 2016 financial statements, however there was no effect on beginning fund balance/ net position.

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

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the County's fiscal year 2016 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

## SANDUSKY COUNTY

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

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

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

#### B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
DRETAC - prosecuting attorney	\$ 3,125
Selective traffic enforcement program	1,061
Impaired driving enforcement program	2,595
DRETAC - treasurer	16,360
Homeland security grant	148,585
Citizens corporation grant	15,500
Juvenile re-entry grant	1,370

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

#### NOTE 4 - DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive. Inactive

## SANDUSKY COUNTY

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

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 and interest by 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, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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. Bonds 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 items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County 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.

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

## **SANDUSKY COUNTY**

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

leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the County Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### **A. Cash on Hand**

At year end, the County had \$300 in undeposited cash on hand which is included on the financial statements of the County as part of "equity in pooled cash and investments".

#### **B. Cash in Segregated Accounts**

At year end, \$1,078,786 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "equity in pooled cash and investments". The carrying value of these deposits was \$631,092 at December 31, 2016.

#### **C. Cash and Cash Equivalents with Fiscal Agents**

At year end, the County had \$182,835 in monies set aside for future debt service held by a fiscal agent. This amount is included on the financial statements of the County as "cash and cash equivalents with fiscal agents".

#### **D. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all County deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$20,303,922. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$20,984,180 of the County's bank balance of \$22,299,701 was exposed to custodial risk as discussed below, while \$1,315,521 was covered 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 are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

#### **E. Investments**

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

## SANDUSKY COUNTY

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<b>Fair value:</b>						
Negotiable CD's	\$ 10,112,920	\$ 250,100	\$ -	\$ 1,001,771	\$ 1,004,867	\$ 7,856,182
FHLB	1,000,790	-	-	-	-	1,000,790
FNMA	6,563,838	-	-	-	-	6,563,838
FHLMC	3,708,435	-	-	997,960	-	2,710,475
<b>Amortized cost:</b>						
STAR Ohio	8,688,959	8,688,959	-	-	-	-
<b>Total</b>	<b>\$ 30,074,942</b>	<b>\$ 8,939,059</b>	<b>\$ -</b>	<b>\$ 1,999,731</b>	<b>\$ 1,004,867</b>	<b>\$ 18,131,285</b>

The weighted average maturity of investments is 2.40 years.

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

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the County's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The County's investments, except for negotiable certificates of deposit, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated.

*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 agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the County's name. The County 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 County Treasurer or qualified trustee.

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

## SANDUSKY COUNTY

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
Fair value:		
Negotiable CD's	\$ 10,112,920	33.63
FHLB	1,000,790	3.33
FNMA	6,563,838	21.82
FHLMC	3,708,435	12.33
Amortized cost:		
STAR Ohio	<u>8,688,959</u>	<u>28.89</u>
Total	<u>\$ 30,074,942</u>	<u>100.00</u>

#### **F. Reconciliation of Cash and Investments to the Statement of Net Position**

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 19,672,830
Investments	30,074,942
Cash in segregated accounts	631,092
Cash with fiscal agent	182,835
Cash on hand	<u>300</u>
Total	<u>\$ 50,561,999</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 37,850,003
Business-type activities	1,244,356
Investment trust	6,438,786
Agency funds	<u>5,028,854</u>
Total	<u>\$ 50,561,999</u>

#### **NOTE 5 - INTERFUND TRANSACTIONS**

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

<u>Transfer to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$1,792,924
Nonmajor governmental funds	<u>673,748</u>
Total	<u>\$2,466,672</u>

## SANDUSKY COUNTY

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

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The County transferred assets with a book value of \$13,751 from the governmental activities to the business-type activities sanitary sewer fund.

All other transfers complied with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B. Interfund loans payable/receivable consisted of the following at December 31, 2016:**

<u>Receivable funds</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 202,633
Nonmajor governmental funds	General fund	179,107
Nonmajor governmental funds	Enterprise fund	12,000
Total		<u>\$ 393,740</u>

The interfund loan balances result from resources provided by the receivable fund to the payable fund to provide cash flow resources until anticipated revenues are received. Interfund loans payable/receivable between governmental funds are eliminated on the government-wide financial statements. Interfund loans payable/receivable between governmental and enterprise funds are shown as an internal balance on the statement of net position.

**C. Loans between governmental funds and agency funds are reported as "loans due from/to other funds" on the financial statements. The County had the following loans outstanding at December 31, 2016:**

<u>Loans due from other funds</u>	<u>Loans due to other funds</u>	<u>Amount</u>
Nonmajor governmental funds	Agency fund	<u>\$ 55</u>

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

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 987</u>

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

## SANDUSKY COUNTY

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

#### NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the 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 on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all County operations, excluding 911 operations, for the year ended December 31, 2016 was \$9.80 per \$1,000 of assessed value. The full tax rate for the County 911 operations, excluding the City of Bellevue and the Village of Green Springs, for the year ended December 31, 2016 was \$0.30 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:

<u>Real property</u>	
Residential/agricultural	\$ 980,925,430
Commercial/industrial/mineral	205,244,930
<u>Public utility</u>	
Real	809,320
Personal	80,405,050
Total assessed value	<u>\$ 1,267,384,730</u>

## SANDUSKY COUNTY

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

#### NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1979, the County Commissioners, by resolution, imposed a 0.5 percent tax on all retail sales made in the County, except sales of motor vehicles. In 1989, the percentage increased to 1 percent. In 2005, an additional 0.25 percent tax was levied and earmarked solely for emergency medical services. In 2010, an additional 0.25 percent tax was levied for general operations. The tax included the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Office of Budget and Management then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited entirely to the general fund and emergency management system fund, a nonmajor governmental fund. Amounts that are measurable and available at year end are accrued as revenue on the fund financial statements. Permissive sales and use tax revenue totaled \$11,343,917 in 2016.

#### NOTE 8 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), interfund transactions related to charges for goods and services rendered, intergovernmental receivables arising from grants, entitlements and shared revenue, special assessments, accrued interest, and loans. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded as described in Note 2.D. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

##### Governmental activities:

Sales taxes	\$ 2,981,012
Real estate and other taxes	11,889,102
Accounts	549,430
Special assessments	306,706
Accrued interest	53,453
Due from other governments	5,549,370
Loans	41,494

##### Business-type activities:

Accounts	83,872
Special assessments	21,995

Receivables have been disaggregated on the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and loans,

## SANDUSKY COUNTY

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

which are collected over the life of the assessment or loan.

#### **NOTE 9 - LOANS RECEIVABLE**

The County, through the community development block grant program, makes low-interest or interest-free loans to small businesses in the County. The activity for these loans is accounted for in the revolving loan fund, a nonmajor governmental fund. The following is a summary of the changes in the loans receivable during 2016.

Loans receivable at 12/31/15	\$ 44,007
Principal payments received in 2016	<u>(2,513)</u>
Loans receivable at 12/31/16	<u>\$ 41,494</u>

#### **NOTE 10 - CAPITAL ASSETS**

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

<b><u>Governmental activities:</u></b>	<b>Balance 12/31/2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 12/31/2016</b>
<i>Capital asset not being depreciated:</i>				
Land	\$ 1,407,198	\$ -	\$ -	\$ 1,407,198
Construction in progress	- -	2,267,610	- -	2,267,610
Total capital assets not being depreciated:	<u>1,407,198</u>	<u>2,267,610</u>	<u>- -</u>	<u>3,674,808</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,384,371	- -	- -	1,384,371
Buildings and improvements	28,930,353	- -	- -	28,930,353
Furniture and equipment	7,970,833	502,183	(68,415)	8,404,601
Vehicles	8,662,752	580,127	(148,338)	9,094,541
Infrastructure	43,106,504	1,140,312	(681,627)	43,565,189
Total capital assets, being depreciated:	<u>90,054,813</u>	<u>2,222,622</u>	<u>(898,380)</u>	<u>91,379,055</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,124,755)	(31,288)	- -	(1,156,043)
Buildings and improvements	(14,201,751)	(679,042)	- -	(14,880,793)
Furniture and equipment	(5,431,714)	(447,626)	56,112	(5,823,228)
Vehicles	(6,204,602)	(613,755)	148,338	(6,670,019)
Infrastructure	(19,442,684)	(1,427,457)	461,783	(20,408,358)
Total accumulated depreciation	<u>(46,405,506)</u>	<u>(3,199,168)</u>	<u>666,233</u>	<u>(48,938,441)</u>
Total capital assets, being depreciated net	<u>43,649,307</u>	<u>(976,546)</u>	<u>(232,147)</u>	<u>42,440,614</u>
Governmental activities capital assets, net	<u>\$ 45,056,505</u>	<u>\$ 1,291,064</u>	<u>\$ (232,147)</u>	<u>\$ 46,115,422</u>

## SANDUSKY COUNTY

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

<b><u>Business-type activities:</u></b>	<u>Balance 01/01/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2016</u>
<i>Capital asset not being depreciated:</i>				
Land	\$ 66,328	\$ -	\$ -	\$ 66,328
Construction in progress	<u>2,291,666</u>	<u>1,456,986</u>	<u>(1,932,020)</u>	<u>1,816,632</u>
Total capital assets not being depreciated:	<u>2,357,994</u>	<u>1,456,986</u>	<u>(1,932,020)</u>	<u>1,882,960</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,384	-	-	105,384
Buildings and improvements	667,123	-	-	667,123
Furniture and equipment	674,092	-	-	674,092
Vehicles	208,707	-	-	208,707
Infrastructure	<u>10,666,635</u>	<u>1,932,020</u>	<u>-</u>	<u>12,598,655</u>
Total capital assets, being depreciated:	<u>12,321,941</u>	<u>1,932,020</u>	<u>-</u>	<u>14,253,961</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(82,173)	(3,071)	-	(85,244)
Buildings and improvements	(594,005)	(5,681)	-	(599,686)
Furniture and equipment	(621,775)	(15,195)	-	(636,970)
Vehicles	(139,401)	(13,787)	-	(153,188)
Infrastructure	<u>(5,755,913)</u>	<u>(232,653)</u>	<u>-</u>	<u>(5,988,566)</u>
Total accumulated depreciation	<u>(7,193,267)</u>	<u>(270,387)</u>	<u>-</u>	<u>(7,463,654)</u>
Total capital assets, being depreciated net	<u>5,128,674</u>	<u>1,661,633</u>	<u>-</u>	<u>6,790,307</u>
Business-type activities capital assets, net	<u>\$ 7,486,668</u>	<u>\$ 3,118,619</u>	<u>\$ (1,932,020)</u>	<u>\$ 8,673,267</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b><u>Governmental activities:</u></b>	
Legislative and executive	\$ 258,503
Judicial	49,825
Public safety	584,912
Public works	1,890,821
Health	52,314
Human services	299,097
Economic development and assistance	<u>63,696</u>
Total depreciation expense - governmental	<u>\$3,199,168</u>
<b><u>Business-type activities:</u></b>	
Sanitary sewer	<u>\$ 270,387</u>

## SANDUSKY COUNTY

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

#### NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current and prior years, the County entered into lease agreements for postage meters, lease agreements for copier equipment and a lease agreement for vehicles. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net position in the amount of \$1,373,908. This amount represents the present value of the minimum lease payments at the time of the lease inception. A corresponding liability was recorded in the statement of net position. Accumulated depreciation as of December 31, 2016 was \$520,176, leaving a current book value of \$853,732. During 2016, principal and interest payments totaled \$137,128 and \$17,705, respectively, paid by the general fund, the EMS fund, the county board of DD fund, the dog and kennel fund and the permanent improvement fund. As of December 31, 2016, the liability for capital lease obligation included in the long-term liabilities of governmental activities totaled \$864,067.

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

<u>Year Ended December 31.</u>	<u>Amount</u>
2017	\$ 322,636
2018	298,004
2019	230,434
2020	46,407
2021	<u>21,368</u>
Total	918,849
Less: amount representing interest	<u>(54,782)</u>
Present value of net minimum lease payments	<u>\$ 864,067</u>

#### NOTE 12 - COMPENSATED ABSENCES

County employees earn vacation leave at varying rates ranging from two to five weeks per year. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. All accumulated, unused vacation time is paid upon separation from the County. Sick leave is accumulated at the rate of three weeks per year. Upon retirement, employees hired before August 12, 1982, are entitled to 100 percent of their accumulated sick leave up to a maximum of 260 days. Employees hired after August 12, 1982, with seven years of service are entitled to 25 percent of their accumulated sick leave up to a maximum of 30 days.

## SANDUSKY COUNTY

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

#### **NOTE 13 - LONG-TERM OBLIGATIONS**

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

<u>Governmental activities:</u>	<u>Interest Rate</u>	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>	<u>Amount Due in One Year</u>
<b>Special obligation bonds:</b>						
Series A refunding - 2012	1.50-2.50%	\$ 1,995,000	\$ -	\$ (380,000)	\$ 1,615,000	\$ 375,000
Series B - 2012	1.375 - 3.25%	460,000	-	(35,000)	425,000	35,000
Series C - 2012	0.90 - 4.00%	1,350,000	-	(100,000)	1,250,000	100,000
Series - 2016		-	5,500,000	(300,000)	5,200,000	220,000
Total special obligation bonds		3,805,000	5,500,000	(815,000)	8,490,000	730,000
Special assessment bonds:	3.00-5.00%	12,941	-	(9,421)	3,520	3,520
<b>Other long-term obligations:</b>						
Compensated absences payable		2,396,382	1,222,215	(1,849,276)	1,769,321	1,075,835
OPWC loan payable		109,908	-	(3,790)	106,118	3,790
Capital lease obligations		181,210	819,985	(137,128)	864,067	295,003
Net pension liability		8,987,960	4,277,157	-	13,265,117	-
Total other long-term obligations		11,675,460	6,319,357	(1,990,194)	16,004,623	1,374,628
Total governmental obligations		<u>\$ 15,493,401</u>	<u>\$ 11,819,357</u>	<u>\$ (2,814,615)</u>	<u>24,498,143</u>	<u>\$ 2,108,148</u>
			Add: Unamortized premium on bond issue:		217,237	
			Less: Unamortized discount on bond issue:		(6,542)	
					<u>\$ 24,708,838</u>	

## SANDUSKY COUNTY

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

<u>Business-type activities:</u>	<u>Balance 1/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>	<u>Amount Due in One Year</u>
<u>Ohio Water Pollution Control loan:</u>					
Sandusky/Rice Joint Sewer Improvement	\$ 379,487	\$ -	\$ (69,779)	\$ 309,708	\$ 72,713
Rice Township Sewer Improvement	101,878	-	(18,732)	83,146	19,521
Rice Township/Shorewood Sewer Improvements	16,461	-	(2,755)	13,706	2,857
State Route 6 Sanitary Sewer	355,954	-	(24,548)	331,406	24,549
Route 53 Area Sewers	44,180	-	(6,141)	38,039	6,367
Grandview Lift Station	520,246	-	(25,073)	495,173	25,794
Pump Station Improvements	237,647	-	(7,405)	230,242	-
Hayes Ave Sewer Replacement	1,150,608	-	(43,467)	1,107,141	-
Hayes Ave Sewer Phase 2	682,738	1,020,196	(66,574)	1,636,360	-
Sewer District Rehab Planning	-	401	-	401	-
Total OWPCLF Loans	<u>3,489,199</u>	<u>1,020,597</u>	<u>(264,474)</u>	<u>4,245,322</u>	<u>151,801</u>
<u>Ohio Public Works Commission loans:</u>					
Sunny Acres Sewer Improvements	12,462	-	(2,493)	9,969	2,492
Rice Township Sewer Improvements - Phase II	38,435	-	(6,407)	32,028	6,406
Rice/Sandusky Sewer Improvements	65,833	-	(9,404)	56,429	9,405
Ireland Lift Station	164,333	-	(5,666)	158,667	5,667
E. State Street Sanitary Sewer Phase II - Timple Road	-	275,000	(13,750)	261,250	13,750
Total OPWC Loans	<u>281,063</u>	<u>275,000</u>	<u>(37,720)</u>	<u>518,343</u>	<u>37,720</u>
<u>Other long-term obligations:</u>					
Net pension liability	134,284	54,013	-	188,297	-
Compensated absences payable	<u>35,438</u>	<u>24,391</u>	<u>(20,539)</u>	<u>39,290</u>	<u>19,637</u>
Total business-type obligations	<u>\$ 3,939,984</u>	<u>\$ 1,374,001</u>	<u>\$ (322,733)</u>	<u>\$ 4,991,252</u>	<u>\$ 209,158</u>

On August 11, 2016, the County issued \$5,500,000 in series 2016 special obligation sales tax supported bonds to provide funds to pay costs of constructing, renovating, remodeling, furnishing, equipping, and otherwise improving County buildings, primarily the County Courthouse.

The series 2016 special obligation sales tax supported bonds are comprised of \$5,500,000 in serial bonds. The interest rate on the current interest bonds range from 2.000% to 4.000%. The bonds were issued for a twenty year period, with a final stated maturity date of December 1, 2035. The bonds will be retired through the debt service fund.

On June 27, 2012, the County issued \$5,700,000 in series 2012 special obligation sales tax supported bonds. These bonds consisted of \$3,475,000 in series 2012A special obligation sales

## SANDUSKY COUNTY

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

tax supported refunding bonds to refund the series 2002 various purpose improvement and refunding bonds, \$565,000 in series 2012B special obligation sales tax supported bonds for the juvenile detention center improvement project and \$1,660,000 in series 2012C special obligation federally taxable sales tax supported bonds for the airport facilities and equipment acquisition project.

The series 2012A special obligation sales tax supported refunding issue is comprised of \$2,990,000 in serial bonds and \$485,000 in term bonds. The interest rate on the current interest bonds range from 1.500% to 3.000%. The bonds were issued for a seven year period, with a final stated maturity date of December 1, 2019. The interest rate on the term bond is 2.500% with a final stated maturity date of December 1, 2022. The bonds will be retired through the debt service fund.

The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at December 31, 2016, is \$1,675,000.

The series 2012B special obligation sales tax supported bonds for the juvenile detention center improvement project is comprised of term bonds in the amounts of \$105,000, \$210,000 and \$250,000. The interest rates on the term bonds are 1.375%, 2.600% and 3.250%, respectively. The bonds have final stated maturity dates of December 1, 2015, December 1, 2021 and December 1, 2027, respectively. The bonds will be retired through the debt service fund.

The series 2012C special obligation federally taxable sales tax supported bonds for the airport facilities and equipment acquisition project issue is comprised of \$810,000 in serial bonds and \$850,000 in term bonds. The interest rate on the current interest bonds range from 0.900% to 2.950%. The bonds were issued for an eight year period, with a final stated maturity date of December 1, 2020. The interest rate on the term bond is 4.00% with a final stated maturity date of December 1, 2027. The bonds will be retired through the debt service fund.

Special assessment bonds will be paid from the proceeds of special assessments levied against the property owners who are primarily benefited from the project. In the event that property owners fail to make their payments, the County is responsible for providing the resources to meet annual principal and interest payments.

Capital lease obligations will be paid from the general fund, the county board of DD fund and the EMS fund, a nonmajor governmental fund. See Note 11 for detail.

The County entered into six debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund sewer improvements. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2016, the County has outstanding borrowings of \$624,461. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free. The loans are payable from the sanitary sewer and debt service funds.

The County entered into ten debt financing arrangements through the Ohio Water Pollution Control Loan Fund (OWPCLF) to fund sewer improvements. The amounts due to the OWPCLF are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2016, the County has outstanding borrowings of \$4,245,322. The phase one, phase two Hayes Avenue sewer replacement project, pump station improvement

## SANDUSKY COUNTY

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

project, and sewer district rehab planning project amortization schedules have not been completed at December 31, 2016 and are not included in the amortization schedules shown below. The loan agreements require semi-annual payments based on the actual amount loaned. The loans are payable from the sanitary sewer fund.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, which, for the County, is primarily the general fund, county board of DD fund, the motor vehicle and gas tax fund, the human services fund and the sanitary sewer fund.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$21,929,163 at December 31, 2016 and the unvoted legal debt margin was \$4,418,392 at December 31, 2016.

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

Year Ended	Special Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 730,000	\$ 238,500	\$ 968,500	\$ 3,520	\$ 106	\$ 3,626
2018	740,000	217,215	957,215	-	-	-
2019	740,000	195,255	935,255	-	-	-
2020	530,000	171,145	701,145	-	-	-
2021	545,000	153,885	698,885	-	-	-
2022 - 2026	2,250,000	548,575	2,798,575	-	-	-
2027 - 2031	1,635,000	286,388	1,921,388	-	-	-
2032 - 2035	1,320,000	90,913	1,410,913	-	-	-
Total	<u>\$ 8,490,000</u>	<u>\$ 1,901,876</u>	<u>\$ 10,391,876</u>	<u>\$ 3,520</u>	<u>\$ 106</u>	<u>\$ 3,626</u>

## SANDUSKY COUNTY

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

Year Ended	OPWC Loan		
	Principal	Interest	Total
2017	\$ 3,790	\$ -	\$ 3,790
2018	3,790	-	3,790
2019	3,790	-	3,790
2020	3,790	-	3,790
2021	3,790	-	3,790
2022 - 2026	18,950	-	18,950
2027 - 2031	18,949	-	18,949
2032 - 2036	18,950	-	18,950
2037 - 2041	18,949	-	18,949
2042 - 2044	<u>11,370</u>	<u>-</u>	<u>11,370</u>
Total	<u>\$ 106,118</u>	<u>\$ -</u>	<u>\$ 106,118</u>

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

Year Ended	OPWC Loans			OWPCLF Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 37,719	\$ -	\$ 37,719	\$ 151,800	\$ 31,173	\$ 182,973
2018	37,719	-	37,719	156,759	26,214	182,973
2019	37,719	-	37,719	161,914	21,059	182,973
2020	37,719	-	37,719	167,274	15,698	182,972
2021	35,227	-	35,227	62,436	11,245	73,681
2022 - 2026	106,489	-	106,489	283,984	41,473	325,457
2027 - 2031	97,084	-	97,084	267,405	17,381	284,786
2032 - 2036	83,333	-	83,333	19,606	281	19,887
2037 - 2041	28,334	-	28,334	-	-	-
2042 - 2044	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 518,343</u>	<u>\$ -</u>	<u>\$ 518,343</u>	<u>\$ 1,271,178</u>	<u>\$ 164,524</u>	<u>\$ 1,435,702</u>

#### NOTE 14 - RISK MANAGEMENT

##### A. General Insurance

The County is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2016, the County contracted with County Risk Sharing Authority (CORS) for liability, property and crime insurance. The CORS program has a \$2,500 deductible. Coverages provided by CORS are as follows:

## SANDUSKY COUNTY

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

<u>Type of Coverage</u>	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage	
Liability (per occurrence)	1,000,000
Medical payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Errors and Omissions	1,000,000
Excess Liability	5,000,000
Property	124,467,715
Equipment Breakdown	100,000,000
Crime Insurance:	
Faithful Performance	1,000,000

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with CORSA (See Note 2). There has been no significant reduction in coverage from prior year, and settled claims have not exceeded limits of coverage in the past three years. The County pays all elected officials' bonds in accordance with statute.

#### B. Health and Vision Insurance

The County provides comprehensive health and vision insurance coverage to its employees through a traditionally funded plan. The County purchases commercial health insurance coverage. The County pays 87% of the monthly premium while the employee pays 13%. The entire risk of loss transfers to the commercial insurance carrier. The County's monthly premium requirement is as follows:

	<u>Family Coverage</u>	<u>Single Coverage</u>
CEBCO	\$ 1,480.55	\$ 561.66

#### C. Insurance Purchasing Pool

For 2016, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (See Note 2). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared

## SANDUSKY COUNTY

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

to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

#### D. Natural Gas

The County participates in the County Commissioners Association of Ohio Service Corporation National Gas Program (the Program), a natural gas cost savings pool. There are currently over 50 counties participating. The program allows additional counties and/or additional county facilities to join at any time. Approximate savings range from \$0.50-\$1.18 per metric cubic foot and this savings has been maintained since the inception of the program. The program is administered through Palmer Energy.

### NOTE 15 - DEFINED BENEFIT PENSION PLANS

#### *Net Pension Liability/Asset*

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

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

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

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes

## SANDUSKY COUNTY

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

costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

#### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

## SANDUSKY COUNTY

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

## SANDUSKY COUNTY

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

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

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

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

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

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

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

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

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$3,381,906 for 2016. Of this amount, \$461,796 is reported as due to other governments.

## SANDUSKY COUNTY

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

#### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

## SANDUSKY COUNTY

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

DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The County's contractually required contribution to STRS was \$69,205 for 2016. Of this amount, \$24,747 is reported as due to other governments.

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

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

	OPERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.078355%	0.00256092%	
Proportion of the net pension liability current measurement date	<u>0.079414%</u>	<u>0.00319147%</u>	
Change in proportionate share	<u>0.001059%</u>	<u>0.00063055%</u>	
Proportion of the net pension asset prior measurement date	0.067586%		
Proportion of the net pension asset current measurement date	<u>0.121341%</u>		
Change in proportionate share	<u>0.053755%</u>		
Proportionate share of the net pension liability	\$ 12,385,133	\$ 1,068,281	\$ 13,453,414
Proportionate share of the net pension asset	36,849	-	36,849
Pension expense	3,166,264	(11,496)	3,154,768

## SANDUSKY COUNTY

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

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

	OPERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 894	\$ 43,165	\$ 44,059
Net difference between projected and actual earnings on pension plan investments	3,656,517	88,695	3,745,212
Changes in employer's proportionate percentage/difference between employer contributions	2,230,833	164,849	2,395,682
County contributions subsequent to the measurement date	3,381,906	37,149	3,419,055
Total deferred outflows of resources	<u>\$ 9,270,150</u>	<u>\$ 333,858</u>	<u>\$ 9,604,008</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 256,060	\$ -	\$ 256,060
Changes in employer's proportionate percentage/difference between employer contributions	-	27,262	27,262
Total deferred inflows of resources	<u>\$ 256,060</u>	<u>\$ 27,262</u>	<u>\$ 283,322</u>

\$3,419,055 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

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

Year Ending December 31:	OPERS	STRS	Total
2017	\$ 2,144,940	\$ 53,675	\$ 2,198,615
2018	1,630,502	53,675	1,684,177
2019	1,039,067	87,711	1,126,778
2020	825,505	74,382	899,887
2021	(2,007)	4	(2,003)
Thereafter	(5,823)	-	(5,823)
Total	<u>\$ 5,632,184</u>	<u>\$ 269,447</u>	<u>\$ 5,901,631</u>

## SANDUSKY COUNTY

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

#### ***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the 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 to 10.05 percent including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

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

## SANDUSKY COUNTY

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	Current 1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 19,732,541	\$ 12,385,133	\$ 6,187,825
Combined Plan	(755)	(36,721)	(65,651)
Member-Directed Plan	338	(128)	(338)

## SANDUSKY COUNTY

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

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

#### **Actuarial Assumptions - STRS**

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

## SANDUSKY COUNTY

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

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

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 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:

	Current		
	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
County's proportionate share of the net pension liability	\$ 1,419,659	\$ 1,068,281	\$ 771,873

#### NOTE 16 - POSTRETIREE BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

## SANDUSKY COUNTY

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

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

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$625,287, \$504,994, and \$190,464, respectively; 89.46% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

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

#### B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0 and \$1,387, respectively. The full amount has been contributed for 2014.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

## SANDUSKY COUNTY

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, human services fund and County Board of DD fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

#### Net Change in Fund Balance

	General Fund	Human Services	County Board of DD
Budget basis	\$ (1,032,823)	\$ (17,936)	\$ 752,068
Net adjustment for revenue accruals	(108,097)	(53,770)	(101,736)
Net adjustment for expenditure accruals	118,959	(37,727)	(132,409)
Net adjustment for other sources/uses	101,458	-	167,468
Funds budgeted elsewhere	317,251	-	-
Adjustment for encumbrances	<u>195,787</u>	<u>182,883</u>	<u>484,840</u>
GAAP basis	<u>\$ (407,465)</u>	<u>\$ 73,450</u>	<u>\$ 1,170,231</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the land reutilization corporation fund, accumulated sick leave fund, budget reserve fund, surplus fund, unclaimed monies fund, title administration fund, prosecutor tax foreclosure rotary fund, annexations fund, Sandusky County group medical benefit plan fund, detention center donations fund, family drug court donation fund,

## SANDUSKY COUNTY

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

truancy supervision program donation fund, recorder equipment fund, sheriff donations fund and the sheriff K9 unit donations fund.

#### **NOTE 18 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Human Services	County Board of DD	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Materials and supplies inventory	\$ 137,606	\$ 15,957	\$ 10,136	\$ 300,337	\$ 464,036
Prepays	115,489	23,290	126	14,948	153,853
Unclaimed monies	<u>380,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>380,344</u>
<b>Total nonspendable</b>	<b><u>633,439</u></b>	<b><u>39,247</u></b>	<b><u>10,262</u></b>	<b><u>315,285</u></b>	<b><u>998,233</u></b>
<b>Restricted:</b>					
Legislative and executive operations	-	-	-	1,066,296	1,066,296
Judicial	-	-	-	2,608,084	2,608,084
Public safety programs	16,814	-	-	5,686,185	5,702,999
Public works projects	-	-	-	1,595,883	1,595,883
Health programs	-	-	-	204,925	204,925
Human services programs	-	1,583,827	11,152,404	1,253,113	13,989,344
Economic development and assistance	-	-	-	170,593	170,593
Debt service	-	-	-	234,545	234,545
Loans	-	-	-	41,494	41,494
Capital projects	-	-	-	3,393,394	3,393,394
<b>Total restricted</b>	<b><u>16,814</u></b>	<b><u>1,583,827</u></b>	<b><u>11,152,404</u></b>	<b><u>16,254,512</u></b>	<b><u>29,007,557</u></b>
<b>Committed:</b>					
Legislative and executive operations	6,469	-	-	-	6,469
Judicial	-	-	-	616,617	616,617
Capital projects	-	-	-	2,992,902	2,992,902
Land reutilization corporation	<u>75,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,672</u>
<b>Total committed</b>	<b><u>82,141</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,609,519</u></b>	<b><u>3,691,660</u></b>
<b>Assigned:</b>					
Legislative and executive operations	29,949	-	-	-	29,949
Judicial	8,274	-	-	-	8,274
Public safety programs	57,470	-	-	-	57,470
Health programs	105	-	-	-	105
Human services programs	4,763	-	-	-	4,763
Subsequent year appropriations	<u>991,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,219</u>
<b>Total assigned</b>	<b><u>1,091,780</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,091,780</u></b>
<b>Unassigned (deficit)</b>	<b><u>4,175,738</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(188,596)</u></b>	<b><u>3,987,142</u></b>
<b>Total fund balances</b>	<b><u>\$ 5,999,912</u></b>	<b><u>\$ 1,623,074</u></b>	<b><u>\$ 11,162,666</u></b>	<b><u>\$ 19,990,720</u></b>	<b><u>\$ 38,776,372</u></b>

## SANDUSKY COUNTY

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

The County established a budget reserve fund in 2011 within the General Fund. As of December 31, 2016, the balance in the reserve was \$1,791,000.

#### **NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 100,561
Human Services	72,260
County Board of DD Fund	334,131
Other governmental	<u>667,548</u>
 Total	 <u>\$ 1,174,500</u>

#### **NOTE 20 - CONTINGENT LIABILITIES**

##### **A. Grants**

The County has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

##### **B. Litigation**

There are no claims or lawsuits pending against the County.

#### **NOTE 21 – TAX ABATEMENTS**

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

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

## SANDUSKY COUNTY

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

construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

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

The County has entered into the following Economic Zone (EZ) tax abatement agreements for the abatement of real property taxes:

- Agreement between the County, the City of Ballville and the City of Fremont
- Agreement between the County, Madison Township, the Village of Gibsonburg and Gibsonburg EVSD
- Agreement between the County, the City of Clyde, and Clyde EVSD

The EZ agreements were entered into by Commissioner Resolution between 2003-2013. The County's property taxes collections were reduced by \$123,275 during 2016.

The County also incurs a reduction in property taxes by agreements entered into by other governments that reduce the County's taxes. The County's property taxes were reduced by the same programs mentioned above that were entered into by other governments. During 2016, the County's property tax revenues were reduced under agreements entered into by other governments as follows:

Government Entering Into Agreement	Tax Abatement Program		County Taxes Abated
	CRA	Ezone	
City of Bellevue	\$ 37,544	\$ -	\$ 37,544
City of Fremont	8,740	39,927	48,667
Total	\$ 46,284	\$ 39,927	\$ 86,211

#### NOTE 22 - SANDUSKY REGIONAL AIRPORT AUTHORITY

##### A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Sandusky Regional Airport Authority, Sandusky County, Ohio (the Authority), as a body

## **SANDUSKY COUNTY**

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

corporate and politic. The Sandusky County Commissioners appoint five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Sandusky Regional Airport Authority.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

#### **B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of the State prescribes or permits. The basis is similar to cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

#### **C. Property, Plant and Equipment**

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. These items are not reported as assets on the Authority's financial statements.

#### **D. Equity in Pooled Deposits**

The Authority maintains a deposit pool all funds use. The Ohio Revised Code prescribed allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

Demand deposits	<u>\$ 228,791</u>
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#### **E. Risk Management**

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions

#### **F. Contingent Liability**

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

## SANDUSKY COUNTY

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

#### NOTE 23 - SANDUSKY COUNTY TRANSPORTATION IMPROVEMENT DISTRICT

##### A. Description of the Entity

The Sandusky County Transportation Improvement District, Sandusky County, Ohio (the District) is a body corporate and politic established to plan, construct and improve highways, roads, bridges, interchanges and accompanying capital improvements and developments throughout Sandusky County. The District was formed under the Ohio Revised Code Chapter 5544.02, by action of the Board of Sandusky County Commissioners on May 22, 2012. The resolution to create the District states the Board shall consist of seven members. The members shall be appointed as follows: five (5) members shall be appointed by the County Commissioners; one (1) nonvoting member appointed by the Speaker of the Ohio House of Representatives of the general assembly; and one (1) nonvoting member appointed by the President of the Senate of the general assembly.

The Sandusky County Auditor acts as fiscal agent for the District and the Sandusky County Treasurer acts as custodian of all funds. The District's management believes these financial statements present all activities for which the District is financial accountable.

##### B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

##### C. Deposits and Investments

The Sandusky County Treasurer is custodian for the District's deposits. The County's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

##### D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies all funds into the General Fund type, which accounts for and reports all financial resources not accounted for and reported in another fund.

##### E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable - The District classifies assets as nonspendable when legally or

## SANDUSKY COUNTY

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

contractually required to maintain the amounts intact.

Restricted - Fund balance is 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 - Trustees can commit amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

#### F. Property, Plant and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

#### G. Loan

On December 20, 2012, the Sandusky County Commissioners approved an interest free loan of \$199,945 to be used until the District's grant funding was available. This loan was repaid during 2013.

#### H. Risk Management

The District has not obtained insurance and is uninsured for general liability insurance coverage.

#### I. Contingent Liabilities

Amounts grantor agencies pay to the District are subject to audit and adjustment by the

## SANDUSKY COUNTY

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

grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

#### NOTE 24 - SANDUSKY COUNTY LAND REUTILIZATION CORPORATION

##### A. Description of the Entity

The Sandusky County Land Reutilization Corporation (the "Corporation") is a county land reutilization corporation that was formed on June 29, 2015 when the Sandusky County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is for reclaiming, rehabilitating or reutilizing economically non-productive land throughout Sandusky County (the "County"). The Corporation can potentially address parcels where the fair market value of the property has been greatly exceeded by the delinquent taxes and assessed liens and are therefore not economically feasible to initiate foreclosure actions upon. By establishing the Corporation, the County can begin to address dilapidated housing issues in communities located in the County and also return properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03 (B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of five members including, (1) the County Treasurer, (2) at least two members of the County Board of Commissioners, (3) one member who is a representative of the largest municipal corporation, based on the population according to the most recent federal decennial census, that is located in the County, (4) one member who is a representative of a township with a population of at least ten thousand in the unincorporated area of the township according to the most recent federal decennial census, and (5) any remaining members selected by the County Treasurer and the County Commissioners who are members of the Corporation board. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The term of office of each appointed director is two years.

The Corporation is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organization Are Component Units" and GASB Statement No.61, "The Financial Reporting Entity: Omnibus", the Corporation's primary government and basic financial statements include components units which are defined as legally separate organizations for which the Corporation is financially accountable. The Corporation is financially accountable for an organization if the Corporation appoints a voting majority of the organization's governing board and (1) the Corporation is able to significantly influence the programs or services performed or provided by the organization; or impose its will over the organization; or (2) the Corporation is legally entitled to or can otherwise access the organization's resources; or (3) the Corporation is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Corporation is obligated for the debt of organization. The Corporation does not have any component units and does not include any organizations in its presentation. The

## SANDUSKY COUNTY

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

Corporation's management believes these basic financial statements present all activities for which the Corporation is financially accountable. The Corporation is a component unit of Sandusky County, Ohio.

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation's significant accounting policies are described below.

#### *Basis of Presentation*

The Corporation'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 Corporation as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

#### Fund Financial Statements

During the year, the Corporation segregates transactions related to certain Corporation 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 Corporation at this more detailed level. The Corporation's general fund is its only governmental fund.

## SANDUSKY COUNTY

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

#### *Fund Accounting*

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate 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 attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the Corporation's fund is classified as governmental.

#### Governmental Funds

Governmental funds focus 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 repaid. The difference between governmental fund assets plus deferred outflows less liabilities plus deferred inflows is reported as fund balance. The following is the Corporation's only governmental fund:

**General Fund** - The general fund accounts for all financial resources that are received from the County Treasurer from penalties collected on delinquent property taxes and interest on those delinquencies. The general fund receives 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Real Estate Tax Assessment and Collection (DRETAC) fund. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

#### *Measurement Focus*

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund. For 2016, there were no differences between the government-wide statements and the general fund.

## SANDUSKY COUNTY

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

#### *Basis of Accounting*

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. The general fund uses 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 inflow of resources and in the presentation of expenses versus expenditures.

#### Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. 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 Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, intergovernmental revenue sources are considered to be both measurable and available at year-end.

#### 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.

#### *Budget Process*

The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. The Board of Directors of the Corporation adopts an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information.

## SANDUSKY COUNTY

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

#### *Federal Income Tax*

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

#### *Cash and Cash Equivalents*

All monies received by the Corporation are deposited in demand deposit accounts. The Corporation had no investments during the year or at the end of the year.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

#### *Prepayments*

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

#### *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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 fund.

#### *Net Position*

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had no restricted net position at December 31, 2016.

#### *Intergovernmental Revenue*

The Corporation receives operating income through Sandusky County. This money represents the penalties and interest on current unpaid and delinquent property taxes once these taxes are paid. Pursuant to ORC 321.263, these penalty and interest monies are collected by the County when taxes are paid and then are paid to the Corporation upon the Corporation's written request.

## SANDUSKY COUNTY

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

#### *Fund Balance*

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

*Nonspendable Fund Balance* - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories and prepaid amounts.

*Restricted Fund Balance* - The restricted classification is used 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 imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* - The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors remove 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 Fund Balance* - Assigned fund balance includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors. The Board of Directors has by resolution authorized the Treasurer to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned Fund Balance* - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

## SANDUSKY COUNTY

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

#### *Estimates*

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

#### *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Corporation Administration and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2016.

#### **B. Deficit Fund Balances**

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

Major fund	<u>Deficit</u>
General fund	\$ 59,148

The deficit fund balance resulted from adjustments for accrued liabilities and the reporting of advances between the County and the Corporation as "due to primary government".

#### **C. Deposits**

At December 31, 2016, the carrying amount of all Corporation deposits was \$19,035. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, all of the Corporation's bank balance of \$30,207 was covered by the Federal Deposit Insurance Corporation (FDIC).

#### **D. Risk Management**

##### *Commercial General Liability and Products/ Completed Operations Liability*

The Corporation is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Corporation contracted with Cincinnati Insurance Company for Nonprofit Organization Directors and Officers Liability Insurance.

The limitations of coverages are as follows:

Limits of Insurance - Aggregate	\$1,000,000
Investigative Costs Sublimit - Aggregate	\$100,000
Excess Benefit Transaction Tax Sublimit - per manager	\$20,000
Additional Defense Limit - Aggregate	Unlimited
Excess Side A Limit - Aggregate	\$1,000,000

## **SANDUSKY COUNTY**

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

Deductibles	\$2,500
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There has been no reduction in coverage from the prior year and settled claims have not exceeded the Corporation's coverage.

#### **E. Transactions with Sandusky County**

Pursuant to and in accordance with Section 321.261 (B) of the Ohio Revised Code, the Corporation has been authorized by the Sandusky County Board of Commissioners to receive 5% of all collections of delinquent real property, personal property, and manufactured and mobile home taxes that are deposited into the County's Delinquent Real Estate Tax Assessment and Collection (DRETAC) fund and will be available for appropriation by the Corporation to fund operations. At December 31, 2016, the Corporation recognized revenues of \$95,648 for these fees that were collected by the County in 2016. The Corporation also received a \$75,000 in an advance from the County that will be repaid with future revenues. This amount is recorded as "due to primary government" on the basic financial statements.

#### **F. Subsequent Event**

On January 30, 2017, the Corporation received an additional advance from Sandusky County in the amount of \$25,000.

**SANDUSKY COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Traditional Plan:</i>			
County's proportion of the net pension liability	0.079414%	0.078355%	0.078355%
County's proportionate share of the net pension liability	\$ 12,385,133	\$ 8,414,481	\$ 8,224,426
County's covered-employee payroll	\$ 25,359,267	\$ 26,494,008	\$ 8,269,077
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.84%	31.76%	99.46%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
County's proportion of the net pension asset	0.083810%	0.067586%	0.067586%
County's proportionate share of the net pension asset	\$ 36,721	\$ 23,170	\$ 6,315
County's covered-employee payroll	\$ 241,400	\$ 247,050	\$ 117,969
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	15.21%	9.38%	5.35%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
County's proportion of the net pension asset	0.037531%	n/a	n/a
County's proportionate share of the net pension asset	\$ 128	n/a	n/a
County's covered-employee payroll	\$ 209,017	n/a	n/a
County's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.06%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**SANDUSKY COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability	0.00319147%	0.00256092%	0.00271985%
County's proportionate share of the net pension liability	\$ 1,068,281	\$ 707,763	\$ 661,562
County's covered-employee payroll	\$ 377,293	\$ 378,450	\$ 262,015
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	283.14%	187.02%	252.49%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%

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

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

**SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**SANDUSKY COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TEN YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 3,314,967	\$ 3,043,112	\$ 3,179,281	\$ 1,074,980
Contributions in relation to the contractually required contribution	<u>(3,314,967)</u>	<u>(3,043,112)</u>	<u>(3,179,281)</u>	<u>(1,074,980)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 27,624,725	\$ 25,359,267	\$ 26,494,008	\$ 8,269,077
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 44,478	\$ 28,968	\$ 29,646	\$ 15,336
Contributions in relation to the contractually required contribution	<u>(44,478)</u>	<u>(28,968)</u>	<u>(29,646)</u>	<u>(15,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 370,650	\$ 241,400	\$ 247,050	\$ 117,969
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 22,461	\$ 25,082		
Contributions in relation to the contractually required contribution	<u>(22,461)</u>	<u>(25,082)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
County's covered-employee payroll	\$ 187,175	\$ 209,017		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 826,193	\$ 765,698	\$ 672,429	\$ 1,402,305	\$ 1,342,995	\$ 1,555,837
<u>(826,193)</u>	<u>(765,698)</u>	<u>(672,429)</u>	<u>(1,402,305)</u>	<u>(1,342,995)</u>	<u>(1,555,837)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,261,930	\$ 7,656,980	\$ 7,538,442	\$ 17,248,524	\$ 19,185,643	\$ 18,632,778
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 8,855	\$ 8,577	\$ 11,644	\$ -	\$ -	\$ -
<u>(8,855)</u>	<u>(8,577)</u>	<u>(11,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 111,384	\$ 107,887	\$ 120,165	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

**SANDUSKY COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST TEN YEARS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 69,205	\$ 52,821	\$ 52,983	\$ 34,062
Contributions in relation to the contractually required contribution	<u>(69,205)</u>	<u>(52,821)</u>	<u>(52,983)</u>	<u>(34,062)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 494,321	\$ 377,293	\$ 378,450	\$ 262,015
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

**SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 36,983	\$ 40,183	\$ 44,056	\$ 37,859	\$ 45,334	\$ 40,652
(36,983)	(40,183)	(44,056)	(37,859)	(45,334)	(40,652)
<b>\$ -</b>					
\$ 284,485	\$ 309,100	\$ 338,892	\$ 291,223	\$ 348,723	\$ 312,708
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**SANDUSKY COUNTY**

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

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

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

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

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

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

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

SANDUSKY COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Job and Family Services</i> State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5575	\$ 103,547	\$ 465,739
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program				
NonCash Assistance (Food Distribution)	10.555	FY 2016	382	
Cash Assistance - School of Hope	10.555	FY 2016	6,904	
Cash Assistance - JDC	10.555	FY 2016	25,158	
Total Cash Assistance			32,062	
Total CFDA #10.555			32,444	
School Breakfast Program	10.553	FY 2016		15,932
Total Child Nutrition Cluster				48,376
Total U.S. Department of Agriculture			<u>103,547</u>	<u>514,115</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program				
Small Cities Program	14.228	B-F-14-1CO-1	33,745	
Small Cities Program	14.228	B-F-15-1CO-1	83,860	
Total CFDA #14.228			117,605	
Total U.S. Department of Housing and Urban Development				<u>117,605</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through the Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2016-VOCA-19814897	35,190	
<i>Passed Through the Ohio Office of Criminal Justice Services</i>				
Crime Victim Assistance/Discretionary Grants	16.582	2017-SVAA-43554709	4,278	
Second Chance Act Reentry Initiative	16.812	n/a		35,072
Total U.S. Department of Justice				<u>74,540</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Montgomery County Workforce Investment Act (WIA) Area 7</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES14	28,294	
Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster:				
WIA/WIOA Adult Program	17.258	2016-7172-1	88,269	
WIA/WIOA Youth Activities	17.259	2016-7172-1	113,891	114,235
WIA/WIOA Dislocated Worker Formula Grants	17.278	FWZ, FWW, FWS/2016-7172-1	156,667	
Total WIAWIOA Cluster			113,891	359,171
Total U.S. Department of Labor			<u>113,891</u>	<u>387,465</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster	20.205	E140076	21,806	
<i>Passed Through Ohio Department of Public Safety</i>				
State and Community Highway Safety	20.600	STEP-2016-72-00-00517-00	10,672	
State and Community Highway Safety	20.600	STEP-2017-72-00-00549-00	2,214	
Total CFDA # 20.600			12,886	
National Priority Safety Programs	20.616	IDEP-2016-72-00-00356-00	15,225	
National Priority Safety Programs	20.616	IDEP-2017-72-00-00406-00	3,366	
Total CFDA #20.616			18,591	
Total U.S. Department of Transportation				<u>53,283</u>

(Continued)

## SANDUSKY COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster				
Special Education_Grants to States	84.027	FY 2016		20,536
Special Education_Grants to States	84.027	FY 2017		9,140
Total CFDA # 84.027				29,676
Special Education_Preschool Grants	84.173	FY 2016		5,222
Special Education_Preschool Grants	84.173	FY 2017		1,990
Total CFDA # 84.173				7,212
Total Special Education Cluster				36,888
<i>Passed Through Ohio Department of Health</i>				
Special Education-Grants for Infants and Families	84.181	07210021HG0716		38,996
Special Education-Grants for Infants and Families	84.181	07210021HG0817		14,396
Total CFDA # 84.181				53,392
Total U.S. Department of Education				<b>90,280</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families				
Caseworker Visits	93.556	G-1617-11-5575		1,804
ESSA Preservation	93.556	G-1617-11-5575		4,375
ESSA Reunification	93.556	G-1617-11-5575		3,870
Total CFDA #93.556				10,049
Temporary Assistance for Needy Families	93.558	G-1617-11-5575	81,196	1,326,035
Child Support Enforcement	93.563	G-1617-11-5575		727,182
Child Care and Development Block Grant	93.575	G-1617-11-5575		97,795
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5575		56,227
Foster Care_Title IV-E	93.658	G-1617-11-5575		729,792
Adoption Assistance	93.659	G-1617-11-5575		282,933
Chafee Foster Care Independence Program	93.674	G-1617-11-5575		13,801
Social Services Block Grant	93.667	G-1617-11-5575		574,477
Medical Assistance Program Cluster	93.778	G-1617-11-5575		979,430
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	FY 2016		43,882
Total CFDA #93.667				618,359
Medical Assistance Program Cluster	93.778	FY 2016		310,382
Total CFDA #93.778				1,289,812
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-16-9181		112,741
Block Grants for Prevention and Treatment of Substance Abuse	93.959	74-3007-TASC-T-16-9181		49,712
Total CFDA # 93.959				162,453
Total U.S. Department of Health and Human Services			81,196	<b>5,314,438</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Department of Emergency Management</i>				
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01		37,212
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01		26,525
Total CFDA # 97.042				63,737
Total U.S. Department of Homeland Security				<b>63,737</b>
<b>Total Expenditures of Federal Awards</b>			\$ 298,634	\$ 6,615,463

The accompanying notes are an integral part of this schedule.

## **SANDUSKY COUNTY**

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

#### **NOTE A – BASIS OF PRESENTATION**

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

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following 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 Ohio Department of Job and Family Services and Montgomery County Workforce Investment Act Area 7 to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

#### **NOTE D – CHILD NUTRITION CLUSTER**

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

#### **NOTE E– FOOD DONATION PROGRAM**

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

**SANDUSKY COUNTY**

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

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

The current cash balance on the County's revolving business loan, downpayment or rehabilitation assistance, and owner occupied rehabilitation assistance local program income accounts as of December 31, 2016 is \$126,971, \$26,383, and \$16,865, respectively.

**NOTE G - MATCHING REQUIREMENTS**

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

**NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2016, the County made allowable transfers of \$457,453 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$1,326,068 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2016 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$1,783,521
Transfer to Social Services Block Grant	(457,453)
<b>Total Temporary Assistance for Needy Families</b>	<b><u>\$1,326,068</u></b>

**NOTE I - TITLE XIX MEDICAL ASSISTANCE PROGRAM**

During the calendar year, the 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 \$1,741 and \$1,666, respectively. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the Schedule since the underlying expenses occurred in the 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**

Sandusky County  
100 North Park Avenue  
Fremont, Ohio 43420-2472

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sandusky 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 21, 2017. We were engaged to audit the aggregate discretely presented component unit. We did not opine on the aggregate discretely presented component unit because it followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and the financial statements were not audited.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

Sandusky County  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 21, 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

Sandusky County  
100 North Park Avenue  
Fremont, Ohio 43420-2472

To the Board of County Commissioners:

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

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

### ***Management's Responsibility***

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

Sandusky County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 2

***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 21, 2017

SANDUSKY COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer – Discretely presented component unit Unmodified – All other opinion units
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Support Enforcement – CFDA # 93.563 Foster CareTitle IV-E – CFDA # 93.658 Medical Assistance Program – CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

**FINDING NUMBER 2016-001**

**Material Weakness**

**Capital Assets**

The County should maintain a detailed capital asset listing. We were able to obtain sufficient audit evidence of capital assets from the information gathered by the IPA completing the County's GAAP conversion, but the County does not maintain their own detailed capital asset list along with the use of coordinating asset tags or other specific identifying means. Capital assets account for forty-five percent of total assets on the accompanying financial statements. A capital asset ledger should be maintained and regularly updated. At minimum, the records should contain the following data a) department name and location; b) date of purchase; c) description; d) model/serial vehicle identification number, if applicable; e) asset tag number; f) quantity; g) purchase cost; h) annual depreciation amount; i) accumulated depreciation amount; j) book value; j) fund ownership; k) useful life of assets; and l) disposition date m) check number and fund/account purchased. The County also should regularly reassess its asset's remaining useful lives.

These weaknesses are a result of inadequate policies, procedures, and internal controls over capital assets. These weaknesses do not allow for an accurate tracking of capital assets to be in place and could result in the misappropriation of capital assets that could allow capital assets to be misstated on the financial statements.

To maintain an accurate accounting over the capital assets process, we recommend the County maintain an updated listing of capital assets.

**Officials' Response**

The Commissioners hired an appraisal firm to complete a capital asset listing which had an effective date as of April 13, 2017. This listing will be updated for the December 31, 2017 financial report.

**FINDING NUMBER 2016-002**

**Material Weakness**

**Financial Reporting**

The County's management is responsible for the fair presentation of the financial statements. In addition, discretely presented component units should be presented on the same accounting basis used by the County.

We noted the financial information for Sandusky County Regional Airport Authority; the County's discretely presented component unit is presented using the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the cash basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. Also, the Airport only obtains a bi-annual audit rather than obtaining one annually.

In addition to the financial issues noted above, we also identified immaterial misstatements ranging from \$4,570 to \$264,952 that we have brought to the County's attention.

These errors were a result of inadequate policies and procedures in preparing the financial statements. The failure to prepare complete and accurate financial statements could lead to the financial statement user making misinformed decisions about the County's financial position. To help ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the annual report by the Auditor and audit committee to identify and correct errors, omissions, and misclassifications. In addition, we recommend the County present financial information for all component units following accounting principles generally accepted in the United States of America, and ensure their component units obtain annual audits.

### **Officials' Response**

The main concern with filing GAAP financial statements was the issue with a capital assets list. Since that has been addressed, the Sandusky County Regional Airport Authority will be able to file on a GAAP basis for 2017.

### **FINDING NUMBER 2016-003**

#### **Significant Deficiency**

##### **Understatement of Accounts Receivable**

The calculation of the Sanitary Sewer fund accounts receivable should include all amounts used prior to year end, but not yet paid. The sanitary sewer accounts receivable as of December 31, 2016 were based on the amounts collected as charges for services in January 2017. These January 2017 receipts do not accurately reflect the accounts receivable at December 31, 2016 due to accounts that are past due or unpaid at December 31, 2016 not being included. In addition, we noted the surcharge fees from the City of Fremont were not included in the accounts receivable population.

The amount of the December 2016 usage billings mailed in January 2017, plus all delinquent account amounts would more accurately reflect the accounts receivable balance. This error was a result of inadequate policies and procedures in calculating Sewer accounts receivable. Failure to accurately calculate the receivable could lead to the financial statements being misstated.

We recommend the County review procedures used to determine sanitary sewer accounts receivable to accurately reflect these in its financial statements so the amount recorded for sanitary sewer accounts receivable includes the amount billed for December 2016 services plus all delinquent account amounts.

### **Officials' Response**

The Commissioners will emphasize to the GAAP compilers the importance of an accurate Accounts Receivable number as of December 31<sup>st</sup>. The Auditor's Office will work with the Sanitary Sewer Department to accurately report the year end receivables to the GAAP compiler.

### **3. FINDINGS FOR FEDERAL AWARDS**

None

**SANDUSKY COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material weakness for failure to track capital assets and adopt capital asset policy.	Partially Corrected. Repeated as Finding 2016-001 in this report.	The County has been working on addressing this issue and adopted a capital asset policy in 2016 and hired an appraisal firm to prepare a capital asset listing with an effective date of April 13, 2017, which will be updated for the December 31, 2017 financial report.
2015-002	Material weakness over financial reporting of budgeted expenditures and component unit.	Partially Corrected. Repeated as Finding 2016-002 in this report.	The County corrected the issue with budgeted expenditures in 2016 and has addressed the issue with filing on the GAAP basis for the component unit and plan to file GAAP financial statements for the component unit in 2017.

**SANDUSKY COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
DECEMBER 31, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Commissioners hired an appraisal firm to complete a capital asset listing which had an effective date of April 13, 2017. This listing will be updated for the December 31, 2017 financial report.	December 31, 2017	Jerri Miller, County Auditor
2016-002	The main concern with filing GAAP financial statements was the issue with a capital assets list. Since that has been addressed, the Sandusky County Regional Airport Authority will be able to file on a GAAP basis for 2017.	December 31, 2017	Scott Miller, Airport Authority Board Member
2016-003	The Commissioners will emphasize to the GAAP compilers the importance of an accurate Accounts Receivable number as of December 31 <sup>st</sup> . The Auditor's Office will work with the Sanitary Sewer Department to accurately report the year end receivables to the GAAP compiler.	December 31, 2017	Jerri Miller, County Auditor

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# Dave Yost • Auditor of State

## SANDUSKY 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.

A handwritten signature in cursive script that appears to read "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED

SEPTEMBER 28, 2017