



Dave Yost • Auditor of State

LAKE COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual Developmental Disabilities Board Fund.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)	30
Statement of Fund Net Position Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	32
Statement of Cash Flows Proprietary Funds	33
Statement of Fiduciary Assets and Liabilities Agency Funds	35
Notes to the Basic Financial Statements	37

LAKE COUNTY
TABLE OF CONTENTS
(CONTINUED)

TITLE	PAGE
Prepared by Management:	
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) Ohio Public Employees Retirement System (OPERS) – Traditional Plan Last Four Years	94
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) Ohio Public Employees Retirement System (OPERS) – Combined Plan Last Four Years	95
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) State Teachers Retirement System (STRS) Last Four Years	96
Schedule of County Contributions Ohio Public Employees Retirement System (OPERS) – Traditional Plan Last Five Years	97
Schedule of County Contributions Ohio Public Employees Retirement System (OPERS) – Combined Plan Last Five Years	98
Schedule of County Contributions State Teachers Retirement System (STRS) Last Five Years	99
Notes to Required Supplementary Information	100
Federal Awards Expenditures Schedule	101
Notes to the Federal Awards Expenditures Schedule	105
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	107
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	109
Schedule of Findings.....	111



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Developmental Disabilities Board Fund, and Board of Alcohol, Drug Addiction & Mental Health Services (ADAMHS Board) Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

This page intentionally left blank.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

In total, net position increased \$1,835,191. Net position of governmental activities decreased \$3,129,933, which represents a 1 percent decrease from 2016. Net position of business-type activities increased \$4,965,124 or 2 percent from 2016.

General revenues accounted for \$123,785,082 in revenue or 54 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$104,056,332 or 46 percent of total revenues of \$227,841,414.

Total assets of governmental activities increased by \$14,058,702, and total assets of business-type activities increased by \$9,527,597.

The County had \$187,411,048 in expenses related to governmental activities; only \$60,582,033 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$123,599,082 were not quite sufficient to offset the remainder of the total expenses, thus resulting in the net position decrease disclosed above.

The County's net pension liability implemented under GASB 68 increased to \$137,809,784 from \$106,151,474. For more information on this liability see Note J to the basic financial statements.

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

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

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

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

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

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

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

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

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

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-93 of this report.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Government-wide Financial Analysis

The following provides a summary of the County's Net Position for 2017 and 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 251,160,374	\$ 236,213,160	\$ 67,078,352	\$ 60,497,959	\$ 318,238,726	\$ 296,711,119
Capital Assets	145,966,341	146,854,853	236,228,216	233,281,012	382,194,557	380,135,865
Total Assets	397,126,715	383,068,013	303,306,568	293,778,971	700,433,283	676,846,984
Deferred Outflows of Resources						
Deferred Refunding Loss	184,848	208,445	-	-	184,848	208,445
Pension	45,555,005	34,943,544	8,174,144	6,252,541	53,729,149	41,196,085
Total Deferred Outflows	45,739,853	35,151,989	8,174,144	6,252,541	53,913,997	41,404,530
Liabilities						
Current and Other Liabilities	8,347,216	6,984,503	13,874,674	9,680,483	22,221,890	16,664,986
Net Pension Liability	116,840,289	90,046,122	20,969,495	16,105,352	137,809,784	106,151,474
Other Long Term Liabilities	29,037,774	30,710,884	33,243,137	35,684,837	62,280,911	66,395,721
Total Liabilities	154,225,279	127,741,509	68,087,306	61,470,672	222,312,585	189,212,181
Deferred Inflows of Resources						
Deferred Inflows - Revenues	44,074,397	42,194,987	-	-	44,074,397	42,194,987
Pension	1,673,835	2,260,516	228,218	360,776	1,902,053	2,621,292
Total Deferred Inflows	45,748,232	44,455,503	228,218	360,776	45,976,450	44,816,279
Net Position						
Net Investment in Capital Assets	128,296,883	127,372,483	205,539,644	202,807,022	333,836,527	330,179,505
Restricted	139,332,850	130,432,664	-	-	139,332,850	130,432,664
Unrestricted	(24,736,676)	(11,782,157)	37,625,544	35,393,042	12,888,868	23,610,885
Total Net Position	\$ 242,893,057	\$ 246,022,990	\$ 243,165,188	\$ 238,200,064	\$ 486,058,245	\$ 484,223,054

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the County's proportionate share of each plan's collective:

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

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

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

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

In accordance with GASB No. 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$486,058,245 (\$242,893,057 in governmental activities and \$243,165,188 in business type activities) as of December 31, 2017.

A large portion of the County's net position \$333,836,527 (69 percent) reflect its investment in capital assets (e.g., land, building, infrastructure and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of net position, \$139,332,850 (29 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$12,888,868 (2 percent), of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2017, the County is able to report positive balances in all three categories of net position as a whole, however, unrestricted governmental net position was negative due to the inclusion of the net pension liability. The County would have reported positive balances in all categories of net position in 2017 and 2016 without the inclusion of this liability.

Total assets increased \$23,586,299 which represented a 4 percent increase over 2016. Total assets of governmental activities increased \$14.1 million primarily due to an increase in cash and cash equivalents of \$14.0 million.

Total assets of business-type activities increased \$9.5 million primarily due to a \$5.9 million increase in cash and cash equivalents and a \$2.9 million increase in capital assets.

LAKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017 Unaudited

Table 2 shows the changes in net position for the year ended December 31, 2017 and 2016.

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services and Operating Assessments	\$26,438,007	\$26,429,611	\$41,233,013	\$42,662,932	\$67,671,020	\$69,092,543
Operating Grants, Contributions and Interest	31,817,488	31,707,532	-	-	31,817,488	31,707,532
Capital Grant and Contributions	2,326,538	2,364,529	2,241,286	2,785,230	4,567,824	5,149,759
Total Program Revenues	60,582,033	60,501,672	43,474,299	45,448,162	104,056,332	105,949,834
General Revenues:						
Property Taxes	45,994,243	44,968,946	-	-	45,994,243	44,968,946
Sales Tax	36,764,986	37,026,202	-	-	36,764,986	37,026,202
Conveyance Tax	3,883,454	3,096,530	-	-	3,883,454	3,096,530
Lodging Tax	1,577,762	935,029	-	-	1,577,762	935,029
Grants and Entitlements not Restricted	26,269,846	26,389,190	-	-	26,269,846	26,389,190
Investment Earnings	1,457,494	1,600,734	-	1,244	1,457,494	1,601,978
Miscellaneous	7,651,297	6,609,177	186,000	306,064	7,837,297	6,915,241
Total General Revenues	123,599,082	120,625,808	186,000	307,308	123,785,082	120,933,116
Total Revenues	184,181,115	181,127,480	43,660,299	45,755,470	227,841,414	226,882,950
Program Expenses						
General Government	22,839,340	20,667,322	-	-	22,839,340	20,667,322
Judicial and Public Safety	53,610,438	51,499,177	-	-	53,610,438	51,499,177
Public Works	19,561,211	19,091,306	-	-	19,561,211	19,091,306
Human Services	72,990,059	65,844,465	-	-	72,990,059	65,844,465
Health	15,202,700	13,730,140	-	-	15,202,700	13,730,140
Community & Econ. Development	2,499,013	2,788,561	-	-	2,499,013	2,788,561
Interest and Fiscal Charges	708,287	742,926	-	-	708,287	742,926
Water	-	-	14,905,996	15,360,674	14,905,996	15,360,674
Wastewater	-	-	18,885,020	16,851,029	18,885,020	16,851,029
Solid Waste	-	-	4,804,159	5,329,325	4,804,159	5,329,325
Total Program Expenses	187,411,048	174,363,897	38,595,175	37,541,028	226,006,223	211,904,925
Increase (Decrease) in Net Position Before Transfers & Special Item	(3,229,933)	6,763,583	5,065,124	8,214,442	1,835,191	14,978,025
Transfers	100,000	135,000	(100,000)	(135,000)	-	-
Special Item	-	-	-	14,428,990	-	14,428,990
Change in Net Position	(3,129,933)	6,898,583	4,965,124	22,508,432	1,835,191	29,407,015
Net Position - January 1	246,022,990	239,124,407	238,200,064	215,691,632	484,223,054	454,816,039
Net Position - December 31	\$242,893,057	\$246,022,990	\$243,165,188	\$238,200,064	\$486,058,245	\$484,223,054

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Total governmental activities expenses increased from \$174,363,897 in 2016 to \$187,411,048 in 2017. Of the total \$187 million in governmental activities expenses, \$26,438,007 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Children's Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions increased from \$31,707,532 in 2016 to \$31,817,488 in 2017 due to an increase in grants received. While property taxes increased slightly in 2017 versus 2016, sales tax declined very slightly. Real estate conveyance taxes increased by \$0.8 million in 2017, which represents a 25 percent increase, which reflects an improving housing market in the County. The lodging tax increase of \$0.7 million is primarily due to an increase in the tax from 3 percent to 5 percent, as passed by the County Commissioners. Investment earnings decreased by \$0.2 million from the prior year while miscellaneous revenue increased by 16 percent, primarily due to an increase in refunds/reimbursements on capital projects. Charges for services to users in the business-type activities amounted to \$41,233,013 and an additional \$2,241,286 was received during the year for grants and contributions for operating and capital expenses. These two revenue sources more than offset the \$38,595,175 in expenses for business-type activities.

The human services program is the largest program and accounted for \$72,990,059 of expenditures for governmental activities, or 39 percent, of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenditures in the human services program increased \$7.1 million in 2017, as compared to 2016. The judicial and public safety program and the general government program account for the largest number of departments within programs and, between these two programs, expenditures increased \$4.3 million in 2017 as compared to 2016. The increase in expenditures for all three of these programs is primarily due to the increase in the net pension liability and related pension expense. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized a decrease in expenses of \$0.3 million. Interest and fiscal charges on debt amounted to \$0.7 million in 2017, which was consistent with 2016.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$164,842,695. \$14,777,890 of this total amount constitutes unassigned fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,801,496 while the total fund balance was \$38,759,965. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 30 percent of total General Fund expenditures, while total fund balance represents 78 percent of that same amount.

The fund balance of the County's General Fund increased by \$2.0 million during the current fiscal year. Overall General Fund revenues increased in 2017 by \$0.3 million as compared to the previous year. The primary reason for this increase is an increase in conveyance tax revenue and miscellaneous revenue. These increases were partially offset by decreases in fees and charges for services revenue, sales tax revenue and intergovernmental revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$13.0 million during 2017.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$4.4 million primarily due to revenues continuing to outpace expenses. The fund balance of the ADAMHS Board Fund decreased by \$0.7 million primarily because of increased expenditures in 2017. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,456,046 in 2016 to \$2,403,169 in 2017.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Fund had unrestricted net position at the end of the year of \$10,856,409, which was a 7 percent decrease from 2016. This decrease was primarily due to an increase of the net pension liability to \$9,966,982, which has a corresponding decrease on unrestricted net position. Unrestricted net position for the Wastewater Fund amounted to \$15,543,404 which was an 11 percent increase as compared to 2016. The Solid Waste Fund's unrestricted net position amounted to \$11,225,731 which is due to an increase in cash and cash equivalents of \$2,057,480. The recognition of a long-term liability for the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency, increased by \$0.4 million. Operating revenues for all proprietary funds decreased from \$42,908,212 to \$41,383,816, or nearly 4 percent, in 2017 as compared to 2016 while operating expenses also increased by \$1,093,738, or 3 percent. The revenue decrease is primarily due to a decrease in charges for services revenue within the Water and Wastewater funds. The inclusion of the net pension liability and related deferred inflows/outflows were a significant factor in the increase of operating expenses.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues and other financing sources increased by \$8,208,360 as compared to the original budget for a total increase of 15 percent, primarily due to increases in the estimates for sales tax, conveyance taxes, intergovernmental revenue and investment earnings. Actual revenues received were \$358,919 more than the final certification.

Final budgeted expenditures and other financing uses increased from the original budget. However, actual expenditures and other financing uses were \$2,829,162 less than final budgeted appropriations, which amounted to a 4 percent reduction from the final expenditure budget. The final budgeted appropriations increase was due mostly to an increase in transfers out. The transfers were needed to promote economic development throughout the County.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Capital Assets and Debt Administration

Capital Assets:

Table 3 shows 2017 values compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,150,279	\$ 3,505,399	\$ 4,602,592	\$ 4,602,592	\$ 7,752,871	\$ 8,107,991
Construction in Progress	14,515,778	11,310,309	19,368,472	37,506,857	33,884,250	48,817,166
Land Improvements	206,513	217,763	50,261	61,443	256,774	279,206
Building & Other Structures	48,260,275	49,961,580	-	-	48,260,275	49,961,580
Furniture and Equipment	16,925,353	17,843,842	2,386,265	2,659,726	19,311,618	20,503,568
Infrastructure	62,908,143	64,015,960	-	-	62,908,143	64,015,960
Utility Plant in Service	-	-	209,820,626	188,450,394	209,820,626	188,450,394
Total Capital Assets	\$ 145,966,341	\$ 146,854,853	\$ 236,228,216	\$ 233,281,012	\$ 382,194,557	\$ 380,135,865

The County's investment in capital assets for its governmental and business type activities as of December 31, 2017, amount to \$333,836,527 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Road and bridge infrastructure improvements for the County Engineer's office totaling \$2.6 million.
- Building renovations and new roofs for the Developmental Disabilities Board buildings, totaling \$535,454.
- New roof for the County West Annex Courthouse totaling \$347,477.
- Two new vehicles and a bomb robot for the Emergency Management Agency totaling \$293,927.
- Upgrades to the County's 911 system totaling \$241,873.
- Four new patrol cars and a body scanner for the Sheriff's department totaling \$232,180.
- New utility lines and other infrastructure improvements for business-type activities totaling \$29.2 million.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

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

Debt

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

Table 4
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 9,400,000	\$ 10,380,000	\$ 2,288,570	\$ 2,434,384	\$ 11,688,570	\$ 12,814,384
Special Assessment Bonds	7,216,430	7,855,616	-	-	7,216,430	7,855,616
OWDA Loans	-	-	19,586,845	22,378,342	19,586,845	22,378,342
Other Long-term Liabilities	529,465	594,806	1,090,156	1,039,381	1,619,621	1,634,187
Capital Leases	523,562	651,948	-	-	523,562	651,948
Notes Payable	-	-	7,723,001	4,621,883	7,723,001	4,621,883
Unamortized Premium on Debt	543,735	549,844	-	-	543,735	549,844
Landfill Closure & Postclosure	-	-	8,568,760	8,196,062	8,568,760	8,196,062
Compensated Absences	10,824,582	10,678,670	1,708,806	1,636,668	12,533,388	12,315,338
	<u>\$ 29,037,774</u>	<u>\$ 30,710,884</u>	<u>\$ 40,966,138</u>	<u>\$ 40,306,720</u>	<u>\$ 70,003,912</u>	<u>\$ 71,017,604</u>

Of the debt outstanding at December 31, 2017, the general obligation bonds and notes are backed by the full faith and credit of the County and the special assessment bonds are debt that the County is liable for in the event of default by the property owner subject to the assessment. The Ohio Water Development Authority Loans (OWDA) are for water and wastewater utility improvements. The Other Long-term Liabilities are for water and wastewater utility improvements and road improvements. Capital leases are for the acquisition of capital assets which are paid for over the lease period. Compensated absences are unpaid leave benefits accumulated by County employees and are payable upon termination of employment, subject to certain restrictions.

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

The County's governmental long-term general obligations, excluding the net pension liability, decreased by \$1,673,110, or 5 percent, in 2017. The long-term obligations for business-type activities, excluding the net pension liability, increased by \$659,418, or 2 percent, during 2017. The County issued \$118,475 in Ohio Public Works Commission Loans during 2017 for business-type activities and a \$0.4 million increase was recorded for the landfill closure and post-closure costs. During the year, the County retired \$4.6 million in business-type activities long-term notes and also issued \$7.7 million in business-type activities notes.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

The County maintains an “Aa1” credit rating from Moody’s Investor Services, Inc. The overall debt margin at December 31, 2017 was \$135.6 million with an unvoted total debt margin of \$48.9 million. Additional information on the County’s long-term debt can be found in Note H of this report.

Economic Factors and Next Year’s Budgets and Rates

As previously stated, the fund balance in the General Fund increased in 2017 as a result of the conveyance taxes and miscellaneous revenue increases. Due to the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. The Commissioners are reviewing all “non-statutorily” mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

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

As previously stated, the County’s returns on investments continued to suffer in 2017, as has been the case since 2007, due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$1.5 million in 2017.

Inflationary trends for the County improved in 2017. The unemployment rate for the County at the end of 2017 was 4.5 percent, which was a decrease from the 4.9 percent at the end of 2016. The County’s rate compares favorably to the State rate of 4.9 percent at the end of 2017 but is slightly higher than the Federal rate of 4.1 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio who are facing significant financial hardships and budget reductions. The key factor is the County’s large retail market and its diversified commercial and industrial economic base. Residential new construction edged up again in 2017. The County is fortunate to have a fairly large amount of undeveloped land in the eastern and southern portions of the County which can hopefully house future new development once the economy improves.

LAKE COUNTY, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited*

Requests for Information

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

This page intentionally left blank.

LAKE COUNTY, OHIO
Statement of Net Position
December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 164,778,953	\$ 54,747,220	\$ 219,526,173	\$ 860,683	\$ 1,384,645
Receivables:					
Property Taxes	46,548,979	-	46,548,979	-	-
Sales Tax	5,921,199	-	5,921,199	-	-
Accounts	689,286	6,048,587	6,737,873	62,069	12,158
Unbilled Accounts	-	4,569,520	4,569,520	-	-
Other Assets and Receivables	-	-	-	-	10,000
Special Assessments	14,011,524	-	14,011,524	-	-
Accrued Interest	301,162	-	301,162	-	-
Due from Other Governments	17,233,711	-	17,233,711	-	-
Materials and Supplies Inventory	890,823	1,675,608	2,566,431	1,967	-
Internal Balances	12,301	(12,301)	-	-	-
Loans Receivable	561,916	-	561,916	-	-
Prepaid Items	210,520	49,718	260,238	14,983	11,861
Nondepreciable Capital Assets	17,666,057	23,971,064	41,637,121	-	8,892,446
Depreciable Capital Assets (Net)	128,300,284	212,257,152	340,557,436	6,998	2,474,179
<i>Total Assets</i>	<u>397,126,715</u>	<u>303,306,568</u>	<u>700,433,283</u>	<u>946,700</u>	<u>12,785,289</u>
Deferred Outflows of Resources					
Deferred Charge on Refunding	184,848	-	184,848	-	-
Ohio Public Employees Retirement System	45,492,028	8,174,144	53,666,172	-	139,035
State Teachers Retirement System	62,977	-	62,977	-	-
<i>Total Deferred Outflows of Resources</i>	<u>45,739,853</u>	<u>8,174,144</u>	<u>53,913,997</u>	<u>-</u>	<u>139,035</u>
Liabilities					
Accounts Payable	2,840,161	1,613,344	4,453,505	-	11,113
Contracts Payable	-	-	-	-	157,602
Accrued Wages and Benefits	1,609,857	223,541	1,833,398	19,002	-
Matured Compensated Absences Payable	147,396	-	147,396	-	-
Intergovernmental Payable	3,544,882	1,458,405	5,003,287	1,354	4,240
Accrued Interest Payable	52,096	56,678	108,774	-	1,024
Unearned Revenue	-	2,322,071	2,322,071	-	19,999
Other Payables	-	-	-	2,806	498,589
Retainage Payable	-	-	-	-	4,470
Customer Deposits	-	477,634	477,634	-	-
Claims Payable	152,824	-	152,824	-	-
Notes Payable	-	7,723,001	7,723,001	-	-
Long Term Liabilities:					
Due Within One Year	2,629,583	3,259,932	5,889,515	-	79,494
Due in More Than One Year:					
Net Pension Liability (OPERS)	116,493,770	20,969,495	137,463,265	-	330,228
Net Pension Liability (STRS)	346,519	-	346,519	-	-
Other Amounts Due in More than One Year	26,408,191	29,983,205	56,391,396	-	172,657
<i>Total Liabilities</i>	<u>154,225,279</u>	<u>68,087,306</u>	<u>222,312,585</u>	<u>23,162</u>	<u>1,279,416</u>
Deferred Inflows of Resources					
Property Taxes	44,074,397	-	44,074,397	-	-
Ohio Public Employees Retirement System	1,232,443	228,218	1,460,661	-	78,254
State Teachers Retirement System	441,392	-	441,392	-	-
<i>Total Deferred Inflows of Resources</i>	<u>45,748,232</u>	<u>228,218</u>	<u>45,976,450</u>	<u>-</u>	<u>78,254</u>
Net Position					
Net Investment in Capital Assets	128,296,883	205,539,644	333,836,527	6,998	11,114,474
Restricted for:					
Debt Service	10,360,120	-	10,360,120	-	-
Capital Projects	34,694,571	-	34,694,571	-	27,500
Other Purposes	7,271,904	-	7,271,904	11,231	22,154
Public Assistance/Human Services	47,744,921	-	47,744,921	-	-
Roads & Bridges	3,774,102	-	3,774,102	-	-
Health Programs	6,706,160	-	6,706,160	-	-
Judicial/Public Safety Grants/Programs	9,987,205	-	9,987,205	-	-
Economic Development	4,010,595	-	4,010,595	-	-
Children's Services Programs	3,534,424	-	3,534,424	-	-
Other Public Works Activity	11,248,848	-	11,248,848	-	-
Unrestricted (Deficit)	(24,736,676)	37,625,544	12,888,868	905,309	402,526
<i>Total Net Position</i>	<u>\$ 242,893,057</u>	<u>\$ 243,165,188</u>	<u>\$ 486,058,245</u>	<u>\$ 923,538</u>	<u>\$ 11,566,654</u>

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

LAKE COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues		
		Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 22,839,340	\$ 7,372,306	\$ 320,482	\$ -
Judicial & Public Safety	53,610,438	10,835,799	2,204,090	618,052
Public Works	19,561,211	5,344,457	7,203,835	1,708,486
Human Services	72,990,059	2,176,478	15,929,729	-
Health	15,202,700	708,967	4,312,827	-
Community & Economic Development	2,499,013	-	1,846,525	-
Interest and Fiscal Charges	708,287	-	-	-
<i>Total Governmental Activities</i>	<u>187,411,048</u>	<u>26,438,007</u>	<u>31,817,488</u>	<u>2,326,538</u>
Business-Type Activities				
Water	14,905,996	16,962,674	-	943,424
Wastewater	18,885,020	18,634,672	-	1,297,862
Solid Waste	4,804,159	5,635,667	-	-
<i>Total Business-Type Activities</i>	<u>38,595,175</u>	<u>41,233,013</u>	<u>-</u>	<u>2,241,286</u>
<i>Total - Primary Government</i>	<u>\$ 226,006,223</u>	<u>\$ 67,671,020</u>	<u>\$ 31,817,488</u>	<u>\$ 4,567,824</u>
Component Units				
Workshop	\$ 753,470	\$ 602,035	\$ 194,756	\$ -
Port Authority	1,694,014	611,196	649,565	864,207
<i>Total - Component Units</i>	<u>\$ 2,447,484</u>	<u>\$ 1,213,231</u>	<u>\$ 844,321</u>	<u>\$ 864,207</u>

General Revenues

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

Total General Revenues

Net Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
\$ (15,146,552)	\$ -	\$ (15,146,552)	\$ -	\$ -
(39,952,497)	-	(39,952,497)	-	-
(5,304,433)	-	(5,304,433)	-	-
(54,883,852)	-	(54,883,852)	-	-
(10,180,906)	-	(10,180,906)	-	-
(652,488)	-	(652,488)	-	-
(708,287)	-	(708,287)	-	-
(126,829,015)	-	(126,829,015)	-	-
-	3,000,102	3,000,102	-	-
-	1,047,514	1,047,514	-	-
-	831,508	831,508	-	-
-	4,879,124	4,879,124	-	-
\$ (126,829,015)	\$ 4,879,124	\$ (121,949,891)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 43,321	\$ -
-	-	-	-	430,954
\$ -	\$ -	\$ -	\$ 43,321	\$ 430,954
5,205,322	-	5,205,322	-	-
24,273,724	-	24,273,724	-	-
8,248,440	-	8,248,440	-	-
3,148,034	-	3,148,034	-	-
1,109,633	-	1,109,633	-	-
1,354,365	-	1,354,365	-	-
2,654,725	-	2,654,725	-	-
36,764,986	-	36,764,986	-	-
3,883,454	-	3,883,454	-	-
1,577,762	-	1,577,762	-	-
26,269,846	-	26,269,846	-	-
1,457,494	-	1,457,494	18,672	5,523
7,651,297	186,000	7,837,297	-	33,195
123,599,082	186,000	123,785,082	18,672	38,718
100,000	(100,000)	-	-	-
(3,129,933)	4,965,124	1,835,191	61,993	469,672
246,022,990	238,200,064	484,223,054	861,545	11,096,982
\$ 242,893,057	\$ 243,165,188	\$ 486,058,245	\$ 923,538	\$ 11,566,654

LAKE COUNTY, OHIO

*Balance Sheet
Governmental Funds
December 31, 2017*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 33,275,951	\$ 42,432,536	\$ 4,165,510	\$ 1,475,606	\$ 70,074,794	\$ 151,424,397
Receivables:						
Property Taxes	5,086,474	23,696,247	8,059,532	-	9,706,726	46,548,979
Sales Tax	5,921,199	-	-	-	-	5,921,199
Accounts	315,496	28,140	-	-	307,767	651,403
Special Assessments	-	-	-	8,884,514	5,127,010	14,011,524
Accrued Interest	300,371	-	-	-	791	301,162
Due from Other Funds	15,768	-	-	-	213,903	229,671
Due from Other Governments	991,204	1,003,479	2,450,629	-	12,682,361	17,127,673
Materials and Supplies Inventory	-	-	-	-	835,217	835,217
Interfund Receivable	35,898	-	-	-	-	35,898
Loans Receivable	-	-	-	-	561,916	561,916
Prepaid Items	141,897	34,192	8,678	-	25,641	210,408
Total Assets	\$ 46,084,258	\$ 67,194,594	\$ 14,684,349	\$ 10,360,120	\$ 99,536,126	\$ 237,859,447
Liabilities						
Accounts Payable	\$ 498,647	\$ 219,306	\$ 141,000	\$ -	\$ 1,939,379	\$ 2,798,332
Accrued Wages & Benefits	629,167	464,508	13,938	-	497,568	1,605,181
Matured Compensated Absences Payable	118,684	25,797	-	-	2,915	147,396
Due to Other Funds	144,076	1,074	306	-	141,226	286,682
Intergovernmental Payable	825,930	336,533	25,363	-	2,353,424	3,541,250
Interfund Payable	-	-	-	-	35,898	35,898
Total Liabilities	2,216,504	1,047,218	180,607	-	4,970,410	8,414,739
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	257,851	1,262,780	412,513	-	541,438	2,474,582
Unavailable Revenue - Special Assessments	-	-	-	7,956,951	-	7,956,951
Unavailable Revenue - Intergovernmental	21,315	-	1,310,858	-	8,763,910	10,096,083
Deferred Inflows - Property Taxes	4,828,623	22,433,467	7,647,019	-	9,165,288	44,074,397
Total Deferred Inflows of Resources	5,107,789	23,696,247	9,370,390	7,956,951	18,470,636	64,602,013
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	835,217	835,217
Prepaid Assets	141,897	34,192	8,678	-	25,641	210,408
Unclaimed Funds	789,853	-	-	-	-	789,853
Restricted for:						
Other Purposes	-	-	-	-	5,046,893	5,046,893
Debt Service	-	-	-	2,403,169	-	2,403,169
Capital Projects	-	-	-	-	34,694,571	34,694,571
Public Assistance/Human Services	-	42,416,937	-	-	2,314,127	44,731,064
Roads & Bridges	-	-	-	-	3,527,281	3,527,281
Health Programs	-	-	5,124,674	-	-	5,124,674
Judicial/Public Safety/Grant Programs	-	-	-	-	9,730,025	9,730,025
Economic Development	-	-	-	-	4,108,890	4,108,890
Children's Services	-	-	-	-	2,154,924	2,154,924
General Government Operations	-	-	-	-	2,197,057	2,197,057
Public Works	-	-	-	-	11,484,060	11,484,060
Committed for:						
Central Communications	2,755,450	-	-	-	-	2,755,450
Budget Stabilization	9,042,400	-	-	-	-	9,042,400
Employee Payroll	10,450,000	-	-	-	-	10,450,000
Assigned for:						
Encumbrances	295,159	-	-	-	-	295,159
Claimants	483,710	-	-	-	-	483,710
Unassigned (Deficit)	14,801,496	-	-	-	(23,606)	14,777,890
Total Fund Balances	38,759,965	42,451,129	5,133,352	2,403,169	76,095,080	164,842,695
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,084,258	\$ 67,194,594	\$ 14,684,349	\$ 10,360,120	\$ 99,536,126	\$ 237,859,447

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

LAKE COUNTY, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2017*

Total Governmental Fund Balances	\$	164,842,695
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		145,951,309
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property & Other Local Taxes	2,474,582	
Special Assessments	7,956,951	
Intergovernmental	10,096,083	
Total		20,527,616
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(52,096)
Certain debt charges reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
Deferred Outflow on Refunded Bonds		184,848
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
OPERS	45,239,740	
STRS	62,977	
Total		45,302,717
Deferred inflows of resources related to pensions:		
OPERS	(1,225,400)	
STRS	(441,392)	
Total		(1,666,792)
Internal service funds are used by management to charge the costs of insurance and other expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net Position	13,420,546	
Capital Assets	15,032	
Compensated Absences	(41,644)	
Net Pension Liability - OPERS	(647,207)	
Deferred outflows of resources - OPERS	252,288	
Deferred inflows of resources - OPERS	(7,043)	
Total		12,991,972
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(9,400,000)	
Special Assessment Bonds	(7,216,430)	
Other Long-Term Liabilities	(529,465)	
Unamortized Premium on Bonds	(543,735)	
Capital Leases	(523,562)	
Compensated Absences	(10,782,938)	
Net Pension Liability - OPERS	(115,846,563)	
Net Pension Liability - STRS	(346,519)	
Total		(145,189,212)
Net Position of Governmental Activities	\$	242,893,057

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

LAKE COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 5,249,103	\$ 24,489,082	\$ 8,318,538	\$ -	\$ 8,268,818	\$ 46,325,541
Sales Tax	36,764,986	-	-	-	-	36,764,986
Conveyance & Other Local Taxes	3,883,454	-	-	-	1,577,762	5,461,216
Fees & Charges for Services	7,396,402	-	-	-	10,999,489	18,395,891
Licenses & Permits	716,062	-	-	-	1,177,359	1,893,421
Fines & Forfeitures	197,899	-	-	-	1,211,130	1,409,029
Intergovernmental	6,214,667	16,934,841	5,178,085	-	31,714,040	60,041,633
Special Assessments	-	-	-	926,746	5,173,888	6,100,634
Interest	1,448,452	-	-	-	9,042	1,457,494
Contributions & Donations	-	8,896	-	-	23,049	31,945
Miscellaneous	2,782,634	1,273,437	223,166	-	3,335,961	7,615,198
<i>Total Revenues</i>	<u>64,653,659</u>	<u>42,706,256</u>	<u>13,719,789</u>	<u>926,746</u>	<u>63,490,538</u>	<u>185,496,988</u>
Expenditures						
Current:						
General Government	13,827,020	-	-	-	6,219,010	20,046,030
Judicial & Public Safety	34,510,379	-	-	-	10,835,810	45,346,189
Public Works	204,157	-	-	-	15,134,748	15,338,905
Human Services	1,085,832	38,266,833	-	-	27,429,261	66,781,926
Health	19,988	-	14,425,477	-	545,760	14,991,225
Community & Economic Development	-	-	-	-	2,483,376	2,483,376
Capital Outlay	-	24,765	2,012	-	6,004,467	6,031,244
Debt Service:						
Principal Retirement	-	-	-	639,186	1,173,727	1,812,913
Interest and Fiscal Charges	-	-	-	340,437	353,911	694,348
<i>Total Expenditures</i>	<u>49,647,376</u>	<u>38,291,598</u>	<u>14,427,489</u>	<u>979,623</u>	<u>70,180,070</u>	<u>173,526,156</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>15,006,283</u>	<u>4,414,658</u>	<u>(707,700)</u>	<u>(52,877)</u>	<u>(6,689,532)</u>	<u>11,970,832</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	21,524	-	-	-	13,190	34,714
Transfers In	-	-	-	-	18,152,333	18,152,333
Transfers Out	(13,001,499)	-	-	-	(5,070,834)	(18,072,333)
<i>Total Financing Sources (Uses)</i>	<u>(12,979,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,094,689</u>	<u>114,714</u>
<i>Net Change in Fund Balance</i>	2,026,308	4,414,658	(707,700)	(52,877)	6,405,157	12,085,546
<i>Fund Balance Beginning of Year</i>	<u>36,733,657</u>	<u>38,036,471</u>	<u>5,841,052</u>	<u>2,456,046</u>	<u>69,689,923</u>	<u>152,757,149</u>
<i>Fund Balance End of Year</i>	<u>\$ 38,759,965</u>	<u>\$ 42,451,129</u>	<u>\$ 5,133,352</u>	<u>\$ 2,403,169</u>	<u>\$ 76,095,080</u>	<u>\$ 164,842,695</u>

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

LAKE COUNTY, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	12,085,546
<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 depreciation exceeded capital outlays in the current period.		
Capital Asset Additions	8,810,316	
Current Year Depreciation	<u>(8,968,958)</u>	
Total		(158,642)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(726,863)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property & Other Local Taxes	(331,298)	
Special Assessments	(898,081)	
Intergovernmental	<u>(122,593)</u>	
Total		(1,351,972)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
G.O. Bonds	980,000	
S.A. Bonds	639,186	
OPWC Loans	65,341	
Capital Leases	<u>128,386</u>	
Total		1,812,913
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports the impact as deferred outflows.		
Direct pension contributions		
OPERS	9,114,113	
STRS	<u>20,205</u>	
Total		9,134,318
Except for amounts reported as deferred inflows/outflows, changes in net pension liability impact pension expense in the statement of activities.		
OPERS	(24,742,211)	
STRS	<u>98,595</u>	
Total		(24,643,616)
Internal service funds used by management to charge the costs of insurance and other expenses to individual funds are not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		
Change in Net Position	826,219	
Deferred outflows of resources - OPERS	50,930	
Deferred inflows of resources - OPERS	4,092	
Current Year Depreciation	(3,007)	
Compensated Absences	<u>5,202</u>	
Total		883,436
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(151,114)
Governmental funds report premiums and deferred outflows as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Deferred Outflow on Refunded Bonds	(23,597)	
Amortization of Bond Premiums	<u>6,109</u>	
Total		(17,488)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		<u>3,549</u>
Change in Net Position of Governmental Activities	\$	<u>(3,129,933)</u>

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

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 4,900,000	\$ 5,252,500	\$ 5,249,103	\$ (3,397)
Sales Tax	33,200,000	36,850,000	36,871,381	21,381
Conveyance & Other Local Taxes	2,850,500	3,866,750	3,883,454	16,704
Fees & Charges for Services	5,035,733	5,361,433	5,384,214	22,781
Licenses & Permits	633,500	710,500	708,677	(1,823)
Fines & Forfeitures	151,500	196,500	199,290	2,790
Intergovernmental	5,269,000	6,176,660	6,213,355	36,695
Interest	1,100,000	2,400,000	2,401,087	1,087
Miscellaneous	2,237,200	2,509,450	2,775,365	265,915
<i>Total Revenues</i>	55,377,433	63,323,793	63,685,926	362,133
Expenditures				
Current:				
General Government	15,500,054	14,216,538	12,982,793	1,233,745
Judicial & Public Safety	34,464,629	35,925,495	34,649,059	1,276,436
Public Works	194,505	197,330	193,998	3,332
Human Services	1,360,793	1,360,793	1,084,670	276,123
Health	24,962	40,468	23,068	17,400
<i>Total Expenditures</i>	51,544,943	51,740,624	48,933,588	2,807,036
<i>Excess of Revenues Over (Under) Expenditures</i>	3,832,490	11,583,169	14,752,338	3,169,169
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,000	24,000	21,524	(2,476)
Advances In	10,000	53,000	52,262	(738)
Advances Out	-	(30,000)	(30,000)	-
Transfers In	-	200,000	200,000	-
Transfers Out	(3,388,625)	(13,023,625)	(13,001,499)	22,126
<i>Total Other Financing Sources (Uses)</i>	(3,373,625)	(12,776,625)	(12,757,713)	18,912
<i>Net Change in Fund Balance</i>	458,865	(1,193,456)	1,994,625	3,188,081
<i>Fund Balance Beginning of Year</i>	27,074,732	27,074,732	27,074,732	-
Prior Year Encumbrances Appropriated	661,524	661,524	661,524	-
<i>Fund Balance End of Year</i>	\$ 28,195,121	\$ 26,542,800	\$ 29,730,881	\$ 3,188,081

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

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Developmental Disabilities Board Fund
 For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 24,317,500	\$ 24,317,500	\$ 24,489,082	\$ 171,582
Intergovernmental	15,691,643	15,691,643	16,853,957	1,162,314
Contributions & Donations	3,050	3,050	8,896	5,846
Miscellaneous	1,233,801	1,233,801	1,279,655	45,854
<i>Total Revenues</i>	<u>41,245,994</u>	<u>41,245,994</u>	<u>42,631,590</u>	<u>1,385,596</u>
Expenditures				
Current:				
Human Services	40,613,933	40,613,716	37,969,938	2,643,778
Capital Outlay	81,171	81,171	25,174	55,997
<i>Total Expenditures</i>	<u>40,695,104</u>	<u>40,694,887</u>	<u>37,995,112</u>	<u>2,699,775</u>
<i>Net Change in Fund Balance</i>	550,890	551,107	4,636,478	4,085,371
<i>Fund Balance Beginning of Year</i>	37,785,527	37,785,527	37,785,527	-
Prior Year Encumbrances Appropriated	1,379	1,379	1,379	-
<i>Fund Balance End of Year</i>	<u>\$ 38,337,796</u>	<u>\$ 38,338,013</u>	<u>\$ 42,423,384</u>	<u>\$ 4,085,371</u>

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

LAKE COUNTY, OHIO
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 8,275,000	\$ 8,275,000	\$ 8,318,538	\$ 43,538
Intergovernmental	4,850,943	5,164,943	4,932,225	(232,718)
Miscellaneous	200,000	200,000	223,166	23,166
<i>Total Revenues</i>	<u>13,325,943</u>	<u>13,639,943</u>	<u>13,473,929</u>	<u>(166,014)</u>
Expenditures				
Current:				
Health	13,273,443	16,563,158	14,763,143	1,800,015
Capital Outlay	58,500	58,849	3,008	55,841
<i>Total Expenditures</i>	<u>13,331,943</u>	<u>16,622,007</u>	<u>14,766,151</u>	<u>1,855,856</u>
<i>Net Change in Fund Balance</i>	(6,000)	(2,982,064)	(1,292,222)	1,689,842
<i>Fund Balance Beginning of Year</i>	4,754,514	4,754,514	4,754,514	-
Prior Year Encumbrances Appropriated	325,897	325,897	325,897	-
<i>Fund Balance End of Year</i>	<u>\$ 5,074,411</u>	<u>\$ 2,098,347</u>	<u>\$ 3,788,189</u>	<u>\$ 1,689,842</u>

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

LAKE COUNTY, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service Funds
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 15,379,168	\$ 19,601,568	\$ 19,766,484	\$ 54,747,220	\$ 13,354,556
Net Receivables:					
Accounts	2,488,802	2,681,479	878,306	6,048,587	37,883
Unbilled Accounts	2,031,843	2,537,677	-	4,569,520	-
Due from Other Funds	-	-	-	-	69,427
Due from Other Governments	-	-	-	-	106,038
Prepaid Items	22,152	24,081	3,485	49,718	112
Materials and Supplies Inventory	1,234,022	439,271	2,315	1,675,608	55,606
<i>Total Current Assets</i>	<u>21,155,987</u>	<u>25,284,076</u>	<u>20,650,590</u>	<u>67,090,653</u>	<u>13,623,622</u>
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,798,825	4,602,592	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	166,096,788	261,090,286	22,631,432	449,818,506	-
Furniture, Fixtures & Equipment	4,512,468	4,839,950	1,067,341	10,419,759	33,036
Less: Accumulated Depreciation	(96,351,022)	(138,923,386)	(13,090,528)	(248,364,936)	(18,004)
Construction in Progress	12,920,227	6,379,966	68,279	19,368,472	-
<i>Total Noncurrent Assets</i>	<u>88,570,196</u>	<u>134,923,355</u>	<u>12,734,665</u>	<u>236,228,216</u>	<u>15,032</u>
<i>Total Assets</i>	<u>109,726,183</u>	<u>160,207,431</u>	<u>33,385,255</u>	<u>303,318,869</u>	<u>13,638,654</u>
Deferred Outflows of Resources					
Ohio Public Employees Retirement System	3,885,241	4,036,615	252,288	8,174,144	252,288
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	726,825	626,039	260,480	1,613,344	41,829
Accrued Wages & Benefits	105,603	109,593	8,345	223,541	4,676
Accrued Interest Payable	33,476	23,202	-	56,678	-
Unearned Revenue	935,113	1,386,958	-	2,322,071	-
Due to Other Funds	7,976	1,229	3,096	12,301	115
Due to Other Governments	1,167,710	216,955	73,740	1,458,405	3,632
Claims Payable	-	-	-	-	152,824
Customer Deposits	230,930	246,704	-	477,634	-
Notes Payable	3,709,642	4,013,359	-	7,723,001	-
Compensated Absences Payable - Current	69,523	53,862	8,363	131,748	3,210
OWDA Loans Payable - Current	-	2,901,391	-	2,901,391	-
General Obligation Bonds Payable - Current	-	149,914	-	149,914	-
Other Long-Term Debt Payable - Current	25,071	51,808	-	76,879	-
<i>Total Current Liabilities</i>	<u>7,011,869</u>	<u>9,781,014</u>	<u>354,024</u>	<u>17,146,907</u>	<u>206,286</u>
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	832,207	644,738	100,113	1,577,058	38,434
OWDA Loans Payable	-	16,685,454	-	16,685,454	-
General Obligation Bonds Payable	-	2,138,656	-	2,138,656	-
Other Long-Term Debt Payable	443,860	569,417	-	1,013,277	-
Net Pension Liability - OPERS	9,966,982	10,355,306	647,207	20,969,495	647,207
Landfill Closure & Post-Closure Costs	-	-	8,568,760	8,568,760	-
<i>Total Long-Term Liabilities</i>	<u>11,243,049</u>	<u>30,393,571</u>	<u>9,316,080</u>	<u>50,952,700</u>	<u>685,641</u>
<i>Total Liabilities</i>	<u>18,254,918</u>	<u>40,174,585</u>	<u>9,670,104</u>	<u>68,099,607</u>	<u>891,927</u>
Deferred Inflows of Resources					
Ohio Public Employees Retirement System	108,474	112,701	7,043	228,218	7,043
Net Position					
Net Investment in Capital Assets	84,391,623	108,413,356	12,734,665	205,539,644	15,032
Unrestricted	10,856,409	15,543,404	11,225,731	37,625,544	12,976,940
<i>Total Net Position</i>	<u>\$ 95,248,032</u>	<u>\$ 123,956,760</u>	<u>\$ 23,960,396</u>	<u>\$ 243,165,188</u>	<u>\$ 12,991,972</u>

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

LAKE COUNTY, OHIO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Operating Revenues					
Water Sales	\$ 16,302,683	\$ -	\$ -	\$ 16,302,683	\$ -
Sewer Charges	-	16,951,584	-	16,951,584	-
Fees, Permits & Tap-Ins	208,788	291,636	-	500,424	-
Charges for Services	451,203	1,391,452	5,635,667	7,478,322	23,664,021
Other Operating Revenues	81,882	60,871	8,050	150,803	36,099
<i>Total Operating Revenues</i>	<u>17,044,556</u>	<u>18,695,543</u>	<u>5,643,717</u>	<u>41,383,816</u>	<u>23,700,120</u>
Operating Expenses					
Personal Services	8,221,722	8,675,965	658,934	17,556,621	358,369
Contractual Services	1,414,250	1,133,466	1,865,861	4,413,577	327,091
Materials & Supplies	747,021	1,215,419	42,096	2,004,536	749,119
Other Operating Expenses	1,737,654	2,235,733	1,369,310	5,342,697	1,828,438
Depreciation Expense	2,785,349	4,907,685	867,958	8,560,992	3,007
Insurance Claims	-	-	-	-	19,570,660
<i>Total Operating Expenses</i>	<u>14,905,996</u>	<u>18,168,268</u>	<u>4,804,159</u>	<u>37,878,423</u>	<u>22,836,684</u>
<i>Operating Income (Loss)</i>	<u>2,138,560</u>	<u>527,275</u>	<u>839,558</u>	<u>3,505,393</u>	<u>863,436</u>
Non-Operating Revenues (Expenses)					
Other Non-Operating Revenues	11,514	5,603	18,080	35,197	-
Interest and Fiscal Charges	-	(716,752)	-	(716,752)	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>11,514</u>	<u>(711,149)</u>	<u>18,080</u>	<u>(681,555)</u>	<u>-</u>
<i>Income (Loss) Before Contributions & Transfers</i>	<u>2,150,074</u>	<u>(183,874)</u>	<u>857,638</u>	<u>2,823,838</u>	<u>863,436</u>
Grants & Contributed Capital	943,424	1,297,862	-	2,241,286	-
Transfers In	-	-	-	-	20,000
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Change in Net Position</i>	<u>2,993,498</u>	<u>1,113,988</u>	<u>857,638</u>	<u>4,965,124</u>	<u>883,436</u>
<i>Net Position Beginning of Year</i>	<u>92,254,534</u>	<u>122,842,772</u>	<u>23,102,758</u>	<u>238,200,064</u>	<u>12,108,536</u>
<i>Net Position End of Year</i>	<u>\$ 95,248,032</u>	<u>\$ 123,956,760</u>	<u>\$ 23,960,396</u>	<u>\$ 243,165,188</u>	<u>\$ 12,991,972</u>

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

LAKE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 16,776,188	\$ 18,721,573	\$ 5,581,921	\$ 41,079,682	\$ 23,802,611
Other Operating Revenues	81,882	60,871	8,050	150,803	36,099
Cash Paid to Suppliers	(1,457,767)	(1,163,413)	(40,010)	(2,661,190)	(741,958)
Cash Paid to Employees	(6,758,213)	(7,201,283)	(521,080)	(14,480,576)	(272,988)
Cash Paid for Contractual Services	(1,305,142)	(1,175,265)	(1,425,750)	(3,906,157)	(327,390)
Cash Paid for Other Operating Expenses	(1,777,194)	(2,361,543)	(1,300,743)	(5,439,480)	(1,922,471)
Cash Paid for Claims	-	-	-	-	(19,589,852)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>5,559,754</u>	<u>6,880,940</u>	<u>2,302,388</u>	<u>14,743,082</u>	<u>984,051</u>
Cash Flows From Non-Capital Financing Activities					
Transfers In	-	-	-	-	20,000
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>20,000</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds of OPWC Loans	118,475	-	-	118,475	-
Proceeds of Notes	3,708,000	4,000,000	-	7,708,000	-
Premium on Note Issuance	3,283	26,718	-	30,001	-
Cash Received from Capital Grants	446,420	35,272	-	481,692	-
Cash Received from Disposal of Capital Assets	14,726	5,603	18,080	38,409	-
Payment for Capital Acquisitions	(4,766,673)	(3,725,044)	(262,988)	(8,754,705)	-
Principal Paid on Debt	(4,636,688)	(2,988,323)	-	(7,625,011)	-
Interest Paid on Debt	(49,636)	(714,626)	-	(764,262)	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(5,162,093)</u>	<u>(3,360,400)</u>	<u>(244,908)</u>	<u>(8,767,401)</u>	<u>-</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	297,661	3,520,540	2,057,480	5,875,681	1,004,051
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>15,081,507</u>	<u>16,081,028</u>	<u>17,709,004</u>	<u>48,871,539</u>	<u>12,350,505</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 15,379,168</u>	<u>\$ 19,601,568</u>	<u>\$ 19,766,484</u>	<u>\$ 54,747,220</u>	<u>\$ 13,354,556</u>

(Continued)

LAKE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 2,138,560	\$ 527,275	\$ 839,558	\$ 3,505,393	\$ 863,436
Adjustments:					
Depreciation	2,785,349	4,907,685	867,958	8,560,992	3,007
(Increase) Decrease in Assets & Deferred Outflows:					
Accounts Receivable	24,971	22,119	(53,746)	(6,656)	236,132
Unbilled Accounts Receivable	(225,407)	(968)	-	(226,375)	-
Inventory	(748,298)	55,309	597	(692,392)	(6,902)
Due from Other Funds	-	-	-	-	(26,748)
Due from Other Governments	-	-	-	-	(70,794)
Prepaid Items	(1)	(171)	161	(11)	(4)
Deferred Outflows - OPERS	(913,354)	(948,940)	(59,309)	(1,921,603)	(59,309)
Increase (Decrease) in Liabilities & Deferred Inflows:					
Accounts Payable	(881,137)	(123,776)	72,940	(931,973)	(47,523)
Accrued Wages	16,815	16,568	1,464	34,847	818
Due to Other Funds	3,941	(876)	2,953	6,018	45
Due to Other Governments	1,058,467	33,226	67,028	1,158,721	(29,749)
Compensated Absences Payable	36,935	(8,847)	44,050	72,138	(5,202)
Customer Deposits	13,950	65,750	-	79,700	-
Landfill Closure & Post-Closure Costs	-	-	372,698	372,698	-
Claims Payable	-	-	-	-	(19,192)
Net Pension Liability	2,311,969	2,402,046	150,128	4,864,143	150,128
Deferred Inflows - OPERS	(63,006)	(65,460)	(4,092)	(132,558)	(4,092)
<i>Total Adjustments</i>	<u>3,421,194</u>	<u>6,353,665</u>	<u>1,462,830</u>	<u>11,237,689</u>	<u>120,615</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 5,559,754</u>	<u>\$ 6,880,940</u>	<u>\$ 2,302,388</u>	<u>\$ 14,743,082</u>	<u>\$ 984,051</u>

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

LAKE COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 40,583,939
Cash and Cash Equivalents - Non-Pooled Cash	5,898,206
Receivables:	
Taxes	318,985,979
Special Assessments	9,265,373
Due from Other Governments	1,613,845
<i>Total Assets</i>	\$ 376,347,342
 Liabilities:	
Due to Other Governments	\$ 358,445,384
Other Liabilities	17,901,958
<i>Total Liabilities</i>	\$ 376,347,342

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

This page intentionally left blank.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – DESCRIPTION OF LAKE COUNTY

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

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

REPORTING ENTITY

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

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

Discretely Presented Component Units

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

DEEPWOOD INDUSTRIES, INC. (the Workshop)

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

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

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

Related Organizations

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

LAKE METROPARKS

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

LAKELAND COMMUNITY COLLEGE

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

LAKETRAN

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

LAKE COUNTY LIBRARY DISTRICT

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

LAKE HEALTH

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

Jointly Governed Organizations

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

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM FACILITY (NEOCAP)

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

NORTHEAST OHIO NETWORK (NEON)

NEON is a council of governments formed to provide a regional effort in administering, managing, and operating programs for certain individuals with developmental disabilities. Participating counties include Geauga, Ashland, Ashtabula, Cuyahoga, Columbiana, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. NEON's operation is controlled by their Board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. NEON adopts its own budget, authorizes expenditures and hires and fires its own staff. During 2017, NEON received sufficient revenues from State grant monies and no additional funds were needed from Lake County.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

Jointly Governed Organizations (Continued)

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)

Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. In 2017, the County did not contribute to NOACA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

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

Fund Financial Statements

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

FUND ACCOUNTING

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

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

Governmental Funds

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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

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

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

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

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

Proprietary Funds:

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

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Funds:

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

MEASUREMENT FOCUS

Government-wide Financial Statements:

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS (Continued)

Fund Financial Statements

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

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

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

BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-exchange Transactions (Continued)

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenses/Expenditures

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

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

BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2017.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

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

Tax Budget

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

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2017.

Appropriations

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

Budgeted Level of Expenditures

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

Lapsing of Appropriations

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

Encumbrances

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

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations, commercial paper and municipal bonds. Inactive funds are invested in certificates of deposit and the State Treasurer’s Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General Fund in 2017 totaled \$1,448,452, which includes \$1,279,128 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POOLED CASH AND CASH EQUIVALENTS (Continued)

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79 “Certain External Investment Pools and Pool Participants”. The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

INVENTORY OF SUPPLIES

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

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

INTERFUND RECEIVABLES

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTERFUND BALANCES

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

CAPITAL ASSETS

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

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZATION OF INTEREST

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalization interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated life of the asset. Total interest capitalized in 2017 and included in construction-in-progress for the Enterprise Funds was \$67,676.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE

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

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

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

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION

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

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

OPERATING REVENUES AND EXPENSES

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

INTERFUND TRANSACTIONS

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BOND PREMIUM

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

PENSIONS

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

ESTIMATES

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

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES

For 2017, the County has implemented Governmental Accounting Standards Board (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 67 and 68”, GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, GASB Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 81, “Irrevocable Split-Interest Agreements”.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the County.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the County. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the County.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the County.

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the County.

NOTE D – BUDGETARY BASIS OF ACCOUNTING

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE D – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>Net Change in Fund Balance</u> <u>General and Major Special Revenue Funds</u>		
	<u>General</u>	<u>DD Board</u>	<u>ADAMHS Board</u>
GAAP Basis	\$2,026,308	\$4,414,658	(\$707,700)
Net Adjustment for Revenue Accruals	2,161,767	(74,666)	(245,860)
Advances In	52,262	-	-
Advances Out	(30,000)	-	-
Beginning Fair Value Adjustment	106,565	-	-
Ending Fair Value Adjustment	(1,023,905)	-	-
Net Adjustment for Expenditure Accruals	(489,344)	305,638	38,659
Adjustment for Funds Budgeted as Special Revenue	(284,757)	-	-
Adjustment for Encumbrances	(524,271)	(9,152)	(377,321)
Budget Basis	<u>\$1,994,625</u>	<u>\$4,636,478</u>	<u>(\$1,292,222)</u>

NOTE E – DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

10. No-load money market mutual fund rated in the highest category at the time of purchase;
11. One percent of the County's average portfolio in debt interest rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

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

DEPOSITS

Custodial Credit Risk

At December 31, 2017, the carrying amount of the County's deposits was \$107,750,332. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$104,641,486 of the County's bank balance of \$109,177,438 was exposed to custodial risk as discussed below, while \$2,535,952 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the County to a successful claim by the FDIC.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

INVESTMENTS

As of December 31, 2017, the County had \$40,569,344 invested in STAR Ohio. The County's investments are valued using quoted market prices (level 1 inputs).

Investments are reported at fair value. As of December 31, 2017, the County had the following investments:

<u>Investment Type</u>	<u>Less than Six Months</u>	<u>Investment Maturities</u>		<u>Total</u>
		<u>Less Than One Year</u>	<u>More Than One Year But Less Than Three Years</u>	
Federal Farm Credit Bank Bonds	\$ -	\$ -	\$ 22,218,812	\$ 22,218,812
Federal Home Loan Bank Notes	-	-	17,585,659	17,585,659
Federal Home Loan Mortgage Corporation	4,054,245	2,906,718	37,083,766	44,044,729
Federal National Mortgage Association	-	2,982,780	7,709,972	10,692,752
Commercial Paper	14,796,527	-	-	14,796,527
Municipal & Ohio Entities	6,097,468	1,992,860	259,835	8,350,163
STAROhio	40,569,344	-	-	40,569,344
Total Portfolio	<u>\$ 65,517,584</u>	<u>\$ 7,882,358</u>	<u>\$ 84,858,044</u>	<u>\$ 158,257,986</u>

Interest Rate Risk

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

Credit Risk

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Custodial Credit Risk

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

Concentration of Credit Risk

The County places no limit on the amount it may invest in any one issuer. The following is the County’s allocation as of December 31, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Farm Credit Bank Bonds	\$ 22,218,812	14.0%
Federal Home Loan Bank Notes	17,585,659	11.1%
Federal Home Loan Mortgage Corporation	44,044,729	27.8%
Federal National Mortgage Association	10,692,752	6.8%
Municipal - Ohio Entities	8,350,163	5.3%
Commercial Paper	14,796,527	9.4%
STAROhio	40,569,344	25.6%
Total Investments	<u>\$ 158,257,986</u>	<u>100.0%</u>

COMPONENT UNITS

At December 31, 2017, the carrying amount of Deepwood Industries, Inc. Workshop’s deposits was \$860,683. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2017, \$749,251 of the Workshop’s bank balance of \$869,714 was exposed to custodial risk, meaning \$120,463 was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2017, the carrying amount of the Lake County Port Authority’s deposits was \$879,163, none of which was cash on hand. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2017, \$460,787 of the Port Authority’s bank balance of \$903,317 was exposed to custodial risk, meaning \$442,530 was covered by the Federal Depository Insurance Corporation. The Port Authority also invested \$505,482 in STAR Ohio.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE F – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,505,399	\$ -	\$ (355,120)	\$ 3,150,279
Construction in Progress	11,310,309	4,178,973	(973,504)	14,515,778
<i>Total Capital Assets Not Being Depreciated</i>	<u>14,815,708</u>	<u>4,178,973</u>	<u>(1,328,624)</u>	<u>17,666,057</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	932,753	16,170	(6,227)	942,696
Buildings & Other Structures	101,369,776	1,323,192	(698,185)	101,994,783
Furniture, Fixtures & Equipment	43,548,341	1,690,375	(798,466)	44,440,250
Infrastructure	118,923,352	2,575,110	-	121,498,462
<i>Total Capital Assets, Being Depreciated</i>	<u>264,774,222</u>	<u>5,604,847</u>	<u>(1,502,878)</u>	<u>268,876,191</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(714,990)	(27,420)	6,227	(736,183)
Buildings & Other Structures	(51,408,196)	(2,667,817)	341,505	(53,734,508)
Furniture, Fixtures & Equipment	(25,704,499)	(2,593,801)	783,403	(27,514,897)
Infrastructure	(54,907,392)	(3,682,927)	-	(58,590,319)
<i>Total Accumulated Depreciation</i>	<u>(132,735,077)</u>	<u>(8,971,965) *</u>	<u>1,131,135</u>	<u>(140,575,907)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>132,039,145</u>	<u>(3,367,118)</u>	<u>(371,743)</u>	<u>128,300,284</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 146,854,853</u>	<u>\$ 811,855</u>	<u>\$ (1,700,367)</u>	<u>\$ 145,966,341</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 796,009
Judicial and Public Safety	3,087,999
Public Works	4,185,505
Human Services	811,660
Health	90,792
Total	<u>\$ 8,971,965</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE F – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 01/01/2017	Additions	Reductions	Balance 12/31/2017
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,602,592	\$ -	\$ -	\$ 4,602,592
Construction in Progress	37,506,857	9,313,378	(27,451,763)	19,368,472
<i>Total Capital Assets Not Being Depreciated</i>	<u>42,109,449</u>	<u>9,313,378</u>	<u>(27,451,763)</u>	<u>23,971,064</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	420,607,149	29,211,357	-	449,818,506
Furniture, Fixtures and Equipment	11,130,729	438,436	(1,149,406)	10,419,759
<i>Total Capital Assets, Being Depreciated</i>	<u>432,121,701</u>	<u>29,649,793</u>	<u>(1,149,406)</u>	<u>460,622,088</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(322,380)	(11,182)	-	(333,562)
Utility Plant in Service	(232,156,755)	(7,841,125)	-	(239,997,880)
Furniture, Fixtures and Equipment	(8,471,003)	(708,685)	1,146,194	(8,033,494)
<i>Total Accumulated Depreciation</i>	<u>(240,950,138)</u>	<u>(8,560,992)</u>	<u>1,146,194</u>	<u>(248,364,936)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>191,171,563</u>	<u>21,088,801</u>	<u>(3,212)</u>	<u>212,257,152</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 233,281,012</u>	<u>\$ 30,402,179</u>	<u>\$ (27,454,975)</u>	<u>\$ 236,228,216</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2017, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting records, and (3) payments between funds are made.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$15,768	\$144,076
Developmental Disabilities Board	-	1,074
ADAMHS Board	-	306
Other Nonmajor Governmental Funds	213,903	141,226
<i>Total Governmental Funds</i>	<u>229,671</u>	<u>286,682</u>
Proprietary Funds:		
Water	-	7,976
Wastewater	-	1,229
Solid Waste	-	3,096
Internal Service Funds	69,427	115
<i>Total Proprietary Funds</i>	<u>69,427</u>	<u>12,416</u>
Total	<u><u>\$299,098</u></u>	<u><u>\$299,098</u></u>
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$35,898	\$0
Domestic Relations	-	19,765
Juvenile Court Computerization	-	16,133
Total	<u><u>\$35,898</u></u>	<u><u>\$35,898</u></u>

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT

Changes in long-term obligations during the year ended December 31, 2017 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2017	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2017	DUE IN ONE YEAR
<i>GOVERNMENTAL ACTIVITIES</i>								
<i>General Obligation Bonds</i>								
2005/2025	County Building Improvement & Refunding	\$15,500,000	3.00%-5.00%	\$20,000	-	(\$20,000)	\$-	\$-
2013/2025	County Building Improvement & Refunding	9,435,000	1.25%-3.50%	9,160,000	-	(910,000)	8,250,000	940,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,200,000	-	(50,000)	1,150,000	55,000
Total General Obligation Bonds – Unvoted				10,380,000	-	(980,000)	9,400,000	995,000
<i>Special Assessment Bonds</i>								
1996/2019	Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	850,000	5.80%	45,000	-	(35,000)	10,000	5,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	1,145,000	5.60%	240,000	-	(60,000)	180,000	60,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,280,000	5.60%	305,000	-	(65,000)	240,000	60,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	2,862,500	2.00%-4.75%	1,117,350	-	(164,550)	952,800	170,450
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W, 248W, 249W, 250W, 251W, 253W	1,610,000	2.00%-5.35%	805,000	-	(85,000)	720,000	90,000
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	670,000	3.50%-5.00%	370,000	-	(35,000)	335,000	35,000
2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	1,857,000	3.00%-5.00%	1,300,000	-	(85,000)	1,215,000	85,000
2009/2029	Maple Street, 291S	540,000	2.00%-5.25%	405,000	-	(25,000)	380,000	25,000
2013/2042	Kirtland Sanitary Sewer	3,538,451	2.00%-3.75%	3,268,266	-	(84,636)	3,183,630	84,636
Total Special Assessment Bonds				7,855,616	-	(639,186)	7,216,430	615,086
<i>Other Long-Term Liabilities</i>								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	\$22,500	-	(\$15,000)	\$7,500	\$7,500
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	116,271	-	(14,534)	101,737	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	382,200	-	(29,400)	352,800	29,400
2013/2029	Blasé Nemeth Widening OPWC CG22P	8,327	0.00%	6,384	-	(555)	5,829	555
2013/2029	Vrooman Road-State Rt. 86 OPWC CG05P	82,048	0.00%	65,638	-	(5,470)	60,168	5,470
2016/2021	Vrooman Road Bridge SIP Loan	2,000	3.00%	1,813	-	(382)	1,431	394
Total Other Long-Term Liabilities				594,806	-	(65,341)	529,465	57,853
<i>Unamortized Premium on Debt Issues</i>				549,844	-	(6,109)	543,735	-
<i>Capital Leases</i>				651,948	-	(128,386)	523,562	115,705
<i>Compensated Absences</i>				10,678,670	1,224,001	(1,078,089)	10,824,582	845,939
Total Before Net Pension Liability				30,710,884	1,224,001	(2,897,111)	29,037,774	2,629,583
<i>Net Pension Liability:</i>								
OPERS				89,418,053	27,075,717	-	116,493,770	-
STRS				628,069	-	(281,550)	346,519	-
TOTAL GOVERNMENTAL ACTIVITIES				\$120,757,006	\$28,299,718	-(3,178,661)	\$145,878,063	\$2,629,583

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT (CONTINUED)

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2017	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2017	AMOUNTS DUE IN ONE YEAR
<i>Business-Type Activities:</i>								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<i>Payable From Wastewater Revenues</i>								
2002/2022	Concord Area 234S	\$1,742,500	2.00%-4.75%	\$682,650	\$-	(\$100,450)	\$582,200	\$104,550
2012/2042	Kirtland Sanitary Sewer 284S	1,896,549	2.00%-3.75%	1,751,734	-	(45,364)	1,706,370	45,364
Total Self Supporting General Obligation Bonds Payable from Wastewater				2,434,384	-	(145,814)	2,288,570	149,914
<i>OWDA Loans</i>								
<i>Payable from Wastewater Revenues</i>								
2000/2020	Project 218S	36,199,145	4.12%	8,634,749	-	(2,342,633)	6,292,116	2,440,144
2015/2039	Madison Twp. WWTP Expansion	12,442,917	2.74%-3.24%	13,743,593	-	(448,864)	13,294,729	461,247
Total OWDA Loans Payable from Wastewater				22,378,342	-	(2,791,497)	19,586,845	2,901,391
<i>Other Long-Term Liabilities</i>								
<i>Payable from Wastewater Revenues</i>								
2006/2025	City of Willoughby Hills	488,959	3.03%	232,520	-	(26,099)	206,421	26,895
2010/2029	Mentor Headlands San Sewer Replacement OPWC CG17K	142,683	0.00%	92,745	-	(7,134)	85,611	7,134
2011/2041	Dundee Glasgow & Kelso Sewer OPWC CG02M	8,402	0.00%	7,002	-	(280)	6,722	280
2013/2033	Bellflower Area Outlet Sewer Replace OPWC CG380	50,000	0.00%	41,250	-	(2,500)	38,750	2,500
2015/2036	Glyco Forcemain Replacement OPWC CG10P	50,000	0.00%	48,750	-	(2,500)	46,250	2,500
2016/2036	Cedar Park Woodland Sewer Phase II OPWC CG46O	249,970	0.00%	249,970	-	(12,499)	237,471	12,499
Total Payable from Wastewater				672,237	-	(51,012)	621,225	51,808
<i>Payable from Water Revenues</i>								
2012/2032	Hubbard Rd Waterline OPWC CG11K	49,550	0.00%	39,638	-	(2,478)	37,160	2,478
2015/2036	Lakeshore Boulevard Waterline Project OPWC CG37P	235,000	0.00%	229,125	-	(11,750)	217,375	11,750
2016/2037	Johnny Cake Ridge Road Waterline Project OPWC CG02O	98,381	0.00%	98,381	-	(2,460)	95,921	4,919
2017/2037	Nan Linn Rd Waterline Project OPWC CG40T	118,475	0.00%	-	118,475	-	118,475	5,924
Total Payable from Water				367,144	118,475	(16,688)	468,931	25,071
Total other Long-Term Liabilities				1,039,381	118,475	(67,700)	1,090,156	76,879
<i>Landfill Closure and Post Closure Costs</i>				8,196,062	372,698	-	8,568,760	-
<i>Compensated Absences</i>				1,636,668	152,319	(80,181)	1,708,806	131,748
Total Before Net Pension Liability				35,684,837	643,492	(3,085,192)	33,243,137	3,259,932
<i>Net Pension Liability - OPERS</i>				16,105,352	4,864,143	-	20,969,495	-
TOTAL BUSINESS TYPE ACTIVITIES				\$51,790,189	\$5,507,635	(\$3,085,192)	\$54,212,632	\$3,259,932

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT (CONTINUED)

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2017 are as follows:

Governmental Activities

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 995,000	\$ 312,750	\$ 615,086	\$ 312,408	\$ 57,853	\$ 13,656
2019	1,010,000	295,900	632,192	284,253	50,364	9,593
2020	1,040,000	264,500	659,297	253,906	50,377	5,407
2021	1,065,000	232,100	623,147	223,268	50,173	1,094
2022	1,100,000	198,950	592,302	193,643	49,959	-
2023-2027	3,715,000	413,825	1,660,839	656,319	206,193	-
2028-2032	475,000	73,750	838,497	364,915	64,546	-
2033-2037	-	-	729,175	239,130	-	-
2038-2042	-	-	865,895	99,406	-	-
Total	\$ 9,400,000	\$ 1,791,775	\$ 7,216,430	\$ 2,627,248	\$ 529,465	\$ 29,750

Business-Type Activities

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 149,914	\$ 86,423	\$ 2,901,390	\$ 531,787	\$ 76,879	\$ 6,052
2019	157,808	80,027	3,015,685	445,103	77,700	5,231
2020	165,704	73,273	1,797,307	354,991	78,547	4,386
2021	171,853	66,770	500,484	321,901	79,419	3,513
2022	177,698	59,340	514,291	308,093	80,317	2,614
2023-2027	279,161	240,034	2,792,269	1,319,653	313,391	1,688
2028-2032	331,503	188,460	3,199,276	912,646	228,513	734
2033-2037	390,825	128,169	3,665,609	446,312	154,274	-
2038-2042	464,104	53,281	1,200,534	33,044	1,116	-
Total	\$ 2,288,570	\$ 975,777	\$ 19,586,845	\$ 4,673,530	\$ 1,090,156	\$ 24,218

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT (CONTINUED)

At December 31, 2017, the County had entered into various operating leases, with terms ranging in length from one to twenty-two years, for office space and equipment. The total future rental payment for these leases is \$1,143,727. Of this amount, \$1,061,715 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

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

Year	Amount
2018	\$478,166
2019	166,133
2020	67,629
2021	65,820
2022	55,337
2023 - 2027	270,124
2028 - 2032	40,518
Total	\$1,143,727

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

In 2005, the County issued \$17,871,000 in general obligation bonds and \$159,000 in special assessment bonds. The entire amount of the \$159,000 in special assessment bonds was issued to advance refund \$150,000 of existing 1991 water improvement bonds. Of the total amount of new general obligation bonds issued in 2005, \$636,000 was issued to advance refund \$615,000 of existing 1991 Forensic Crime Laboratory Bonds and \$1,735,000 was issued to advance refund \$1,665,000 of existing 1995 Human Services Center Bonds. As of December 31, 2017, \$0 of the 2005 issuance was outstanding. The remaining outstanding balances were refunded with the 2013 refunding issuance, described below.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT (CONTINUED)

In 2013, the County issued \$9,435,000 in general obligation bonds for a current refunding of \$9,160,000 in outstanding bonds of the 2005 County building improvement and refunding series. The refunding was undertaken to reduce future debt service payments. The current refunding in 2013, resulted in a decrease in the County's debt service payments in the amount of \$1,173,097. Proceeds of \$10,048,114 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2017, \$8,250,000 of these bonds are considered defeased. Accordingly, the trust account assets and the liability for this defeased bond issue are not included in the County's financial statements. The County also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$1,025,614 on this refunding.

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

Other long-term obligations consist of an agreement with the City of Willoughby Hills whereby the County acquired various land and plant facilities from the City. In exchange, the County has agreed to pay directly to the City, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets acquired. This obligation, amounting to \$206,421 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Six are for governmental activities for road repairs and nine are for business-type activities, five for wastewater system improvements and four for water system improvements.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE H – LONG-TERM DEBT (CONTINUED)

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

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2041. The total principal and interest remaining to be paid on the wastewater debt is \$24,905,818. Principal and interest paid for the year for the wastewater debt was \$3,464,531, total net revenues were \$5,440,563 and total revenues were \$18,701,146.

The County has pledged future water revenues to repay OPWC loans. All of the debt is solely payable from net revenues and are payable through 2037. The total principal remaining to be paid on the water debt is \$468,931. Principal paid for the year for the water debt was \$16,688, total net revenues were \$4,935,423 and total revenues were \$17,056,070.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. At December 31, 2017, the County had an unvoted debt margin of \$48.9 million and a direct debt margin of \$135.6 million.

Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017, there were three series of Hospital Revenue Bonds and one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$131,305,000.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2017 follows:

YEAR ISSUED	PURPOSE/ DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2017	PRINCIPAL ISSUED IN 2017	PRINCIPAL RETIRED IN 2017	BALANCE DEC. 31, 2017
<i>Business-Type Activities:</i>							
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable From Water Fund:</u>							
2016	Water District Improvement - 302W	2017	1.00%	1,800,000	-	(1,800,000)	-
2016	Premium on Note Issuance	2017	n/a	1,883	-	(1,883)	-
2016	Water District Improvement - 354W	2017	1.125%	731,000	-	(731,000)	-
2016	Water District Improvement - 360W	2017	1.125%	890,562	-	(890,562)	-
2016	Water District Improvement - 372W	2017	1.125%	434,000	-	(434,000)	-
2016	Water District Improvement - 374W	2017	1.125%	493,438	-	(493,438)	-
2016	Water District Improvement - 395W	2017	1.125%	271,000	-	(271,000)	-
2017	Water District Improvement - 302W	2018	1.50%	-	1,200,000	-	1,200,000
2017	Premium on Note Issuance	2018	n/a	-	3,283	(1,641)	1,642
2017	Water District Improvement - 354W	2018	1.50%	-	584,800	-	584,800
2017	Water District Improvement - 360W	2018	1.50%	-	712,450	-	712,450
2017	Water District Improvement - 372W	2018	1.50%	-	347,200	-	347,200
2017	Water District Improvement - 374W	2018	1.50%	-	394,750	-	394,750
2017	Water District Improvement - 380W	2018	2.0%	-	252,000	-	252,000
2017	Water District Improvement - 395W	2018	1.50%	-	216,800	-	216,800
Total Notes Payable From Water Fund				4,621,883	3,711,283	(4,623,524)	3,709,642
<u>Payable From Wastewater Fund:</u>							
2017	Sewer District Improvement - 336S	2018	2.0%	-	4,000,000	-	4,000,000
2017	Premium on Note Issuance	2018	n/a	-	26,718	(13,359)	13,359
Total Notes Payable From Wastewater Fund				-	4,026,718	(13,359)	4,013,359
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				\$ 4,621,883	\$ 7,738,001	\$ (4,636,883)	\$ 7,723,001

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Ohio Public Employees Retirement System (OPERS)

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

While members of the County may elect the member-directed plan and the combined plan, substantially all employees are in OPERS’ traditional 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.

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

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

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

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 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2017 Actual Contribution Rates	
Employer:	
Pension	13.0%
Post-Employment Health Care Benefits	1.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County’s contractual required contribution was \$10,815,180 for 2017. Of this amount, \$244,948 is reported as an intergovernmental payable.

While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; the following disclosure focuses are combined for the three plans.

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

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

	Traditional	Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.61100800%	0.63886000%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.60678400%	0.58763800%	
Change in Proportionate Share	-0.00422400%	-0.05122200%	
Proportionate Share of the Net Pension Liability (Asset)	\$137,790,327	(\$327,062)	\$137,463,265
Pension Expense	\$15,715,544	\$236,292	\$15,951,836

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	OPERS Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$186,764	\$0	\$186,764
Net difference between projected and actual earnings on pension plan investments	20,520,156	79,796	20,599,952
Change of Assumptions	21,855,210	79,711	21,934,921
Change in proportionate share and difference between County contributions and proportionate share of contributions	101,450	27,905	129,355
County contributions subsequent to the measurement date	10,487,345	327,835	10,815,180
Total Deferred Outflows of Resources	\$53,150,925	\$515,247	\$53,666,172
Deferred Inflows of Resources			
Differences between expected and actual experience	\$820,058	\$167,270	\$987,328
Change in proportionate share and difference between County contributions and proportionate share of contributions	473,333	0	473,333
Total Deferred Inflows of Resources	\$1,293,391	\$167,270	\$1,460,661

\$10,815,180 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

	Traditional Plan	Combined Plan	OPERS Total
Year Ending December 31:			
2018	(\$17,045,705)	(\$19,030)	(\$17,064,735)
2019	(17,647,506)	(19,030)	(17,666,536)
2020	(7,278,475)	(15,577)	(7,294,052)
2021	601,497	12,698	614,195
2022 - 2025	0	20,797	20,797
Total	(\$41,370,189)	(\$20,142)	(\$41,390,331)

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented as follows:

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 Percent	3.75 Percent
Future Salary Increases, Including Inflation	3.25 Percent to 10.75 Percent, Including Wage Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA:		
Pre-January 7, 2013 Retirees	3 Percent, simple	3 Percent, simple
Post-January 7, 2013 Retirees	3 Percent, simple through 2018, then 2.15 percent, simple	3 Percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 Percent	8.0 Percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
County's Proportionate Share of the Net Pension Liability (Asset) - Traditional Plan	\$210,505,505	\$137,790,327	\$77,195,060
County's Proportionate Share of the Net Pension Liability (Asset) - Combined Plan	<u>23,506</u>	<u>(327,062)</u>	<u>(599,391)</u>
Total OPERS	<u>\$210,529,011</u>	<u>\$137,463,265</u>	<u>\$76,595,669</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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 was 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 increased August 1, 2015 and will continue to increase periodically until reaching 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 contributions to the DB Plan from the employer and the member 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 Ohio plan.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The County’s contractually required contribution to STRS was \$20,205 for the fiscal year ended June 30, 2017.

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

The net pension liability was measured as of June 30, 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 was based on the County’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS
Proportion of the Net Pension Liability	
Prior Measurement Date	0.00227256%
Proportion of the Net Pension Liability	
Current Measurement Date	0.00103522%
Change in Proportionate Share	-0.00123734%
Proportionate Share of the Net Pension Liability	\$346,519
Pension Expense	\$26,105

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$14,001
Net difference between projected and actual earnings on pension plan investments	\$28,771
County contributions subsequent to the measurement date	20,205
Total Deferred Outflows of Resources	\$62,977
Deferred Inflows of Resources	
Change in proportionate share and difference between County contributions and proportionate share of contributions	\$441,392
Total Deferred Inflows of Resources	\$441,392

\$20,205 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
Fiscal Year Ending December 31:	
2018	\$117,181
2019	117,181
2020	106,140
2021	58,118
Total	\$398,620

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 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% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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

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

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>*Long-Term Expected Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (STRS) (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 Ohio’s 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.

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to County’s Net Pension Liability is expected to be significant.

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's Proportionate Share of the Net Pension Liability	\$460,496	\$346,519	\$250,373

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE K – POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description – In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS CAFR for details. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The portion of the County's employer contributions that were used to fund postemployment benefits for the years 2017, 2016, and 2015 respectively were \$831,936, \$1,382,244, and \$1,644,917 which was equal to 100 percent of the required contribution for those years.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE K – POSTEMPLOYMENT BENEFITS (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited in to the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the County's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 or 2015.

NOTE L – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017 lien date. Assessed values are established by State law at 35% of appraised market value. 2017 real property taxes are collected in and intended to finance 2018 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017 and are collected in 2018 with real property taxes.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE L – PROPERTY TAX REVENUES (CONTINUED)

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

The full tax rate for all County operations for the year ended December 31, 2017, was \$9.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property	\$5,503,360,890
Public Utility Personal Property	<u>346,036,130</u>
Total Assessed Value	<u>\$5,849,397,020</u>

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2017 operations. In the governmental funds, the entire receivable has been offset by deferred inflows of resources – property taxes since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is reported as deferred inflows of resources – unavailable revenue.

NOTE M – RECEIVABLES & REVENUES

Receivables at December 31, 2017, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE M – RECEIVABLES & REVENUES (CONTINUED)

Special assessments expected to be collected amounts to \$8,884,514 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$222,572.

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

<i>Governmental Activities</i>	<u>Amount</u>
Grants, Incentives and Reimbursements	\$15,578,519
Motor Vehicle License Tax and Gas Tax	662,135
Casino Revenue	607,939
Public Defender Reimbursements	149,369
Internal Service	106,038
Local Government Fund	89,478
Other	40,233
<i>Total</i>	<u><u>\$17,233,711</u></u>

NOTE N – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>				<u>Totals</u>
	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Internal Service</u>	
General	\$ 2,333,874	\$ 1,197,625	\$ 9,450,000	\$ 20,000	\$ 13,001,499
Nonmajor Special Revenue	4,461,159	109,675	500,000	-	5,070,834
Water	100,000	-	-	-	100,000
Transfer Totals	<u>\$ 6,895,033</u>	<u>\$ 1,307,300</u>	<u>\$ 9,950,000</u>	<u>\$ 20,000</u>	<u>\$ 18,172,333</u>

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE O – ENCUMBRANCES

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

At December 31, 2017, encumbrances outstanding in governmental funds and proprietary funds which were re-appropriated in the 2018 budget were:

General Fund	\$560,425
Developmental Disabilities Board	9,152
ADAMHS Board	377,321
Non-Major Special Revenue Funds	1,851,184
Non-Major Capital Projects Funds	9,648,907
Enterprise Funds	509,412
Non-Major Internal Service Funds	17,505
<i>Total</i>	<u><u>\$12,973,906</u></u>

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2017 encumbrances less these accrued liabilities were:

General Fund	\$295,159
Developmental Disabilities Board	7,176
ADAMHS Board	289,950
Non-Major Special Revenue Funds	1,336,282
Non-Major Capital Projects Funds	9,181,137
Enterprise Funds	435,330
Non-Major Internal Service Funds	15,850
<i>Total</i>	<u><u>\$11,560,884</u></u>

NOTE P – CONTINGENCIES, JUDGMENTS AND CLAIMS

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE Q – LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

During 2016, Lake County was granted a permit from the Ohio Environmental Protection Agency to allow for vertical (upward) expansion at the County's Landfill. The expansion results in a capacity increase of approximately 6.5 million tons. The County's liability for landfill closure and post closure costs increased in 2017 by approximately \$0.4 million.

The \$8.6 million reported as landfill closure and post closure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 60.0 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$7.0 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE R – RELATED PARTY TRANSACTIONS

During 2017, Lake County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to Deepwood Industries, Inc., (the "Workshop"), a discretely presented component unit of Lake County. The Workshop reported \$191,911 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the Workshop.

NOTE S – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials' liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2017 as compared to the previous year. Insurance premiums paid to private carriers during 2017 were approximately \$0.7 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE S – RISK MANAGEMENT (Continued)

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$102,081 and dental claims of \$50,743, have been accrued based upon a review of the January, 2018 billings provided by the County Commissioners' Office.

The total claims liability of \$152,824 reported in the internal service fund at December 31, 2017, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
<u>Prescription:</u>				
2015	\$ 161,442	\$ 3,145,467	\$ 3,184,334	\$ 122,575
2016	122,575	3,341,680	3,344,118	120,137
2017	120,137	3,102,265	3,120,321	102,081
<u>Dental:</u>				
2015	\$ 15,957	\$ 699,893	\$ 659,780	\$ 56,070
2016	56,070	679,196	683,387	51,879
2017	51,879	656,713	657,849	50,743

NOTE T – PUBLIC ENTITY RISK POOLS

COUNTY RISK SHARING AUTHORITY

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE T – PUBLIC ENTITY RISK POOLS (CONTINUED)

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2017 was \$671,367.

NOTE U – DEFICIT FUND BALANCES/NET POSITION

At December 31, 2017, the following funds had deficit fund balances/net position:

<u>Fund</u>	<u>Amount</u>
Juvenile Court Computerization	\$8,204
Domestic Relations Court Computer	15,402

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

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

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

NOTE V – TAX INCENTIVES AND TAX ABATEMENTS

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

The first of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 5709, is called Tax Increment Financing Agreements (TIF's). Under a TIF, the property owner makes Payments in Lieu of Taxes (PILOT's) in the same amount as the property tax, on improvements made to the respective property since the inception of the TIF. The PILOT's are used by the respective cities, villages and townships to finance infrastructure improvements to the properties included within the TIF. The revenue derived from the PILOT's is redirected from the "normal" distribution had the TIF not been established.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE V – TAX INCENTIVES AND TAX ABATEMENTS (CONTINUED)

With respect to County funds, none of the PILOT's are remitted to County agencies, but instead are remitted to the respective cities, villages and townships to finance the construction of the respective improvements.

The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2017, had the TIF agreements not been established and the improvements still constructed:

	Amount
Governmental Funds:	
General Fund	\$66,067
Developmental Disabilities Board	317,511
ADAMHS Board	105,422
Childrens Services Board	43,628
Narcotics Agency Fund	17,208
Forensic Crime Laboratory Fund	18,851
Senior Citizens Levy Fund	52,764
<i>Total</i>	\$621,451

The second of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 3735, is called Community Reinvestment Areas (CRA's). In order to establish a CRA, a city, village or township must survey the housing within its jurisdiction and determine that all or part(s) of the jurisdiction has an area(s) that has housing facilities or structures of historical significance and that repair of these facilities and/or structures is discouraged. By establishing a CRA within its jurisdiction, the respective government can offer real estate tax abatements on improvements made to such facilities and/or structures. The percentage and length of time of these abatements is negotiated by the respective government and property owner. With respect to County funds, none of the abated tax revenue is received during the duration of the abatement. The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2017, had the CRA's not been established and the improvements still constructed:

	Amount
Governmental Funds:	
General Fund	\$18,875
Developmental Disabilities Board	90,752
ADAMHS Board	30,121
Childrens Services Board	12,481
Narcotics Agency Fund	4,930
Forensic Crime Laboratory Fund	5,393
Senior Citizens Levy Fund	15,075
<i>Total</i>	\$177,627

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE W – SUBSEQUENT EVENTS

On January 17, 2018, the County issued \$19,000,000 in bond anticipation notes for the construction of an addition to the County Administration Building. The new notes have an interest rate of 2.00 percent and mature on January 17, 2019.

On March 19, 2018, the County issued \$600,000 in bond anticipation notes for the construction of a Utilities Maintenance facility. The new notes have an interest rate of 2.25 percent and mature on March 19, 2019.

LAKE COUNTY, OHIO
Required Supplementary Information

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

	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.6067840%	0.6110080%	0.5777210%	0.5777210%
County's Proportionate Share of the Net Pension Liability (Asset)	\$137,790,327	\$105,834,288	\$73,648,319	\$71,984,849
County's Covered-Employee Payroll	\$78,343,033	\$75,938,500	\$74,921,308	\$73,442,386
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.88%	139.37%	98.30%	98.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

LAKE COUNTY, OHIO
Required Supplementary Information

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

	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.58763800%	0.63886000%	0.67435600%	0.67435600%
County's Proportionate Share of the Net Pension Liability (Asset)	(\$327,062)	(\$310,883)	(\$259,643)	(\$70,761)
County's Covered-Employee Payroll	\$2,287,850	\$2,321,758	\$2,465,025	\$2,416,366
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	-14.30%	-13.39%	-10.53%	-2.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

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

LAKE COUNTY, OHIO
Required Supplementary Information

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

	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.00103522%	0.00227256%	0.00322436%	0.00322436%
County's Proportionate Share of the Net Pension Liability (Asset)	\$346,519	\$628,069	\$784,276	\$934,224
County's Covered-Employee Payroll	\$132,600	\$290,057	\$354,785	\$372,310
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	261.33%	216.53%	221.06%	250.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

LAKE COUNTY, OHIO
Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$10,487,345	\$9,401,164	\$9,112,620	\$8,990,557	\$9,547,510
Contributions in Relation to the Contractually Required Contribution	(\$10,487,345)	(\$9,401,164)	(\$9,112,620)	(\$8,990,557)	(\$9,547,510)
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
County Covered-Employee Payroll	\$80,671,885	\$78,343,033	\$75,938,500	\$74,921,308	\$73,442,386
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY, OHIO
Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$327,835	\$274,542	\$278,611	\$295,803	\$314,128
Contributions in Relation to the Contractually Required Contribution	(\$327,835)	(\$274,542)	(\$278,611)	(\$295,803)	(\$314,128)
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
County Covered-Employee Payroll	\$2,521,808	\$2,287,850	\$2,321,758	\$2,465,025	\$2,416,366
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY, OHIO
Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$20,205	\$18,564	\$40,608	\$46,122	\$48,400
Contributions in Relation to the Contractually Required Contribution	(\$20,205)	(\$18,564)	(\$40,608)	(\$46,122)	(\$48,400)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$144,321	\$132,600	\$290,057	\$354,785	\$372,310
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY, OHIO
Notes to Required Supplementary Information
For the Year Ended December 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for the years 2013 through 2017.

Changes in assumptions: Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	<u>December 31, 2017</u>	<u>December 31, 2016 and Prior</u>
Wage Inflation	3.25 Percent	3.75 Percent
Future Salary Increases, Including Inflation	3.25 Percent to 10.05 Percent, Including Wage Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA:		
Pre-January 7, 2013 Retirees	3 Percent, Simple	3 Percent, Simple
Post-January 7, 2013 Retirees	3 Percent, Simple through 2018, then 2.15 Percent, Simple	3 Percent, Simple through 2018, then 2.8 Percent, Simple
Investment Rate of Return	7.5 Percent	8.0 Percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. See notes to the basic financial statements for the methods and assumptions in this calculation.

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through the Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Breakfast Program	10.553	N/A		\$19,586
National School Lunch Program	10.555	N/A		31,397
Total Nutrition Cluster				50,983
<i>Passed through the Ohio Department of Jobs and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSCF117		38,071
		JFSCF118		27,811
		JFSCF517		20,458
		JFSCFB17		577,572
		JFSCFB18		202,033
Total - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				865,945
TOTAL U.S. DEPARTMENT OF AGRICULTURAL				916,928
<u>U.S. DEPARTMENT OF DEFENSE/U.S. ARMY CORP OF ENGINEERS</u>				
<i>Direct program:</i>				
Hurricane and Storm Damage Reduction	99.U01	N/A		161,104
TOTAL U.S. DEPARTMENT OF DEFENSE/U.S. ARMY CORP OF ENGINEERS				161,104
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
<i>Direct programs:</i>				
Community Development Block Grants/Entitlements Grants	14.218	N/A		15,000
		N/A	\$149,841	162,573
		N/A	1,086,632	1,245,758
Total - Community Development Block Grants/Entitlements Grants			1,236,473	1,423,331
Shelter Plus Care	14.238	N/A	287,802	287,802
		N/A	196,941	196,941
Total - Shelter Plus Care			484,743	484,743
Home Investment Partnership Program	14.239	N/A	10,411	10,411
		N/A	57,525	57,525
		N/A	68,049	68,049
		N/A	359,901	400,114
Total - Home Investment Partnership Program			495,886	536,099
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			2,217,102	2,444,173
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Passed Through the Ohio Attorney General's Office:</i>				
Crime Victims Assistance	16.575	2018VOCA109294140		71,406
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Violence Against Women Formula Grants	16.588	2016WFVA58211		56,609
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JG-A01-6447		40,000
<i>Passed Through the City of Mansfield Police Department</i>				
Forensic DNA Backlog Reduction Program	16.741	2016-DN-BX-0095		115,180
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2016-PC-NFS-7802		11,122
TOTAL U.S. DEPARTMENT OF JUSTICE				294,317
<u>U.S. DEPARTMENT OF LABOR</u>				
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES16		255
<i>Workforce Investment Act (WIA) Cluster</i>				
WIA Adult Program	17.258	JFSCAF16		241,558
		JFSCAP16		50,852
		JFSCAF17		155,801
Total - WIA Adult Program				448,211
WIA Youth Activities	17.259	JFSCYP15		66,227
		JFSCYP16		147,258
Total - WIA Youth Activities				213,485
WIA Dislocated Worker Formula Grants	17.278	JFSCDF16		219,667
		JFSCDF17		113,769
		JFSCDP16		52,396
Total - WIA Dislocated Worker Formula Grants				385,832
Total Workforce Investment Act (WIA) Cluster				1,047,528
TOTAL U.S. DEPARTMENT OF LABOR				1,047,783

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. FEDERAL HIGHWAY ADMINISTRATION</u>				
<i>Passed Through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A		\$2,419,690
<i>Passed Through the Ohio Department of Public Safety</i>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	STEP-2017-43-00-00-00363-00		9,765
		STEP-2018-43-00-00-00093-00		1,379
Total -State and Community Highway Safety				11,144
National Priority Safety Programs	20.616	IDEP-2017-43-00-00-00363-00		7,712
		IDEP-2018-43-00-00-00363-00		2,369
Total - National Priority Safety Programs				10,081
Total - Highway Safety Cluster				21,225
TOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION				2,440,915
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Special Education Cluster</i>				
Special Education: Grants to States	84.027	070037-6BSF-2017P		68,049
Special Education: Preschool Grants	84.173	070037-PGS1-2017		15,935
Total Special Education Cluster				83,984
<i>Passed Through the Ohio Department of Health:</i>				
<i>Special Education-Grants for Infants and Families</i>				
	84.181	N/A	\$219,306	219,306
		N/A	135,639	135,639
Total - Special Education-Grants for Infants and Families			354,945	354,945
TOTAL U.S. DEPARTMENT OF EDUCATION			354,945	438,929
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through the Ohio Department of Alcohol & Drug Addiction Services:</i>				
<i>Block Grants for Prevention and Treatment of Substance Abuse</i>				
	93.959	N/A	\$404,717	404,717
		N/A	253,315	253,315
		N/A	55,408	55,408
		N/A	96,477	96,477
		43-01316-WOMENS-T-16-9013	26,398	26,398
		43-01316-WOMENS-T-17-0414	31,664	31,664
Total - Block Grants for Prevention and Treatment of Substance Abuse			867,979	867,979
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-09-16		1,100
<i>Passed Through the Ohio Department of Mental Health:</i>				
<i>Projects for Assistance in Transition from Homelessness</i>				
	93.150	43-13900-PATH-T-16-1579	36,035	36,035
		43-13900-PATH-T-18-0258	55,166	55,166
Total - Projects for Assistance in Transition from Homelessness			91,201	91,201
Block Grants for Community Health Services	93.958	N/A	69,692	69,692
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
<i>Promoting Safe and Stable Families</i>				
	93.556	JFSCMC17		2,957
		JFSCMC18		946
		JFSCPF17		34,417
		JFSCPF18		17,337
Total - Promoting Safe and Stable Families				55,657
Temporary Assistance for Needy Families	93.558	JFSCTF16		551,511
		JFSCTF17		1,368,243
		JFSCTF18		692,538
		JFSFTF17		692,744
		JFSOLS17		47,000
		JFSOLS18		27,500
Total - Temporary Assistance for Needy Families				3,379,536
Child Support Enforcement	93.563	JFSCCS17		1,549,962
		JFSCCS18		637,866
		JFSFCS17		1,750
Total - Child Support Enforcement				2,189,578
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSCCW17		62,791
		JFSCCW18		19,273
Total - Stephanie Tubbs Jones Child Welfare Services Program				82,064
Foster Care Title IV-E	93.658	JFSCFC17		258,645
		JFSCFC18		80,069
		JFSOLF17		1,317,337
		JFSOLF18		436,548
Total - Foster Care Title IV-E				2,092,599

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -(Continued)</u>				
Adoption Assistance	93.659	JFSCAA17 JFSCAA18 N/A		\$471,026 157,302 1,563
Total - Adoption Assistance				629,891
Chaffe Foster Care Independence Program	93.674	JFSCIL17 JFSCIL18		33,855 7,175
Total - Chaffe Foster Care Independence Program				41,030
<i>Passed Through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A N/A N/A N/A N/A	\$42,093 15,615 10,184 34,538 11,981 5,572	\$42,093 15,615 10,184 34,538 11,981 5,572
<i>Passed Through the Ohio Department of Developmental Disabilities (DD):</i>				
Social Services Block Grant	93.667	N/A		118,673
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Social Services Block Grant	93.667	JFSCSS17 JFSCSS18 JFSCSX17 JFSCSX18		317,726 88,038 689,340 200,000
Total - Social Services Block Grant			119,983	1,533,760
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>				
Medical Assistance Program	93.778	N/A		613,277
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Medical Assistance Program	93.778	MCDFMT17 MCDFMT18		1,048,469 426,213
Total - Medical Assistance Program				2,087,959
<i>Passed Through the Ohio Department of Mental Health and Addiction Services:</i>				
State Targeted Response to the Opioid Crisis Grants	93.788	N/A N/A	130,190 3,915	130,190 3,915
			134,105	134,105
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Child Care and Development Block Grant	93.575	JFSCCD17 JFSCCD18		149,887 86,921
Total - Child Care and Development Block Grant				236,808
<i>Passed Through the Ohio Chapter of the American Planning Association</i>				
National Implementation & Dissemination for Chronic Disease Prevention	93.328	N/A N/A		104,818 36,000
Total - National Implementation & Dissemination for Chronic Disease Prevention				140,818
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,282,960	13,633,777
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through the Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grant	97.042	EMC2016EP00003S01 EMW2017EP00006S01		131,759 41,976 173,735
Pre-Disaster Mitigation	97.047	LPDM		82,701
Homeland Security Grant Program	97.067	EMW2016SS00104S01 EMW2015SS00086		20,814 76,761
Total - Homeland Security Grant Program				97,575
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				354,011
TOTAL FEDERAL AWARDS			\$3,855,007	\$21,731,937

The accompanying note is an integral part of this schedule

This page intentionally left blank.

LAKE COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of Lake County, Ohio (the County) under programs of the federal government for the year ended December 31, 2017. 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 U.S. Department of housing and Urban Development, the U.S. Department of Education and the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

NOTE D - CHILD NUTRITION CLUSTER

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

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

The current cash balance on the County's local program income account as of December 31, 2017 is \$151, 738.

NOTE F - MATCHING REQUIREMENTS

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

LAKE COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
(CONTINUED)
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE G - PRIOR YEAR PROGRAM ADJUSTMENTS

During the calendar year 2017, the Lake County Board of Developmental Disabilities received a settlement payment for the 2012 and 2013 Cost reports from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA#93.778) in the amounts of \$36,884 and \$28,074 respectively. The cost report settlement payment was for the settlement for the statewide payment rate and the rate calculated based upon actual Medicaid services. The revenue is not listed on the County's Federal Awards Expenditure Schedule since the underlying expenses occurred in prior reporting periods.



Dave Yost • Auditor of State

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

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2017, 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 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018



Dave Yost • Auditor of State

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

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

Report on Compliance for each Major Federal Program

We have audited Lake County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Lake County's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

The County's basic financial statements include the operations of the Lake County Port and Economic Development Authority, which received \$427,907 in federal awards which is not included in the County's Federal Awards Expenditures Schedule during the year ended December 31, 2017. Our audit of Federal awards, described below, did not include the operations of the Lake County Port and Economic Development Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$750,000 of Federal Awards for the year ended December 31, 2017, it was not subject to Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, Lake County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2017.

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 14, 2018

LAKE COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Home Investment Partnership Program, CFDA 14.239; ➤ Foster Care Title IV-E, CFDA 93.658; ➤ Social Services Block Grant, CFDA 93.667; ➤ Medical Assistance Program, CFDA 93.778; ➤ Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 4, 2018