

Lake County, Ohio

Basic Financial Statements
For the Year Ended December 31, 2014

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LAKE COUNTY, OHIO
Basic Financial Statements
For the Year Ended December 31, 2014

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Management's Discussion and Analysis For the Year Ended December 31, 2014 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, 2014. 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 2014 are as follows:

In total, net position increased \$22,113,539. Net position of governmental activities increased \$14,198,099, which represents a 5 percent increase from 2013. Net position of business-type activities increased \$7,915,440 or 4 percent from 2013.

General revenues accounted for \$104,812,221 in revenue or 48 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$111,544,766 or 52 percent of total revenues of \$216,356,987.

Total assets of governmental activities increased by \$11,189,316, and total assets of business-type activities increased by \$16,883,341.

The County had \$159,481,286 in expenses related to governmental activities; only \$69,435,897 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$104,143,488 were sufficient to offset the remainder of the total expenses, thus resulting in the net position increase disclosed above.

The total of the County's long-term debt, short-term debt and compensated absences increased by \$4,120,630 during 2014.

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.

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

Reporting the County as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" 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 the 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.

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

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 22-28 of this report.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central purchasing, mailroom, and vehicle maintenance departments as well as for its self-insurance programs for prescription and dental coverage. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the County-wide financial statements. The proprietary fund financial statements can be found on pages 29-32 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 33 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 35-83 of this report.

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Government-wide Financial Analysis

The following provides a summary of the County's Net Position for 2014 and 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 209,915,237	\$ 193,033,849	\$ 65,861,821	\$ 58,512,200	\$ 275,777,058	\$ 251,546,049
Capital Assets	147,014,477	152,706,549	213,153,822	203,620,102	360,168,299	356,326,651
Total Assets	356,929,714	345,740,398	279,015,643	262,132,302	635,945,357	607,872,700
Deferred Outflows of Resources						
Deferred Refunding Loss	255,639	279,236	0	0	255,639	279,236
Liabilities						
Long Term Liabilities	33,048,077	36,805,932	55,969,750	48,091,265	89,017,827	84,897,197
Other Liabilities	7,308,818	7,964,067	6,722,120	5,632,704	14,030,938	13,596,771
Total Liabilities	40,356,895	44,769,999	62,691,870	53,723,969	103,048,765	98,493,968
Deferred Inflows of Resources						
Deferred Inflows - Revenues	41,830,685	40,449,961	0	0	41,830,685	40,449,961
Net Position						
Net Investment in Capital Assets	124,392,276	126,668,924	181,702,597	179,979,960	306,094,873	306,648,884
Restricted	115,555,179	88,020,970	0	0	115,555,179	88,020,970
Unrestricted	35,050,318	46,109,780	34,621,176	28,428,373	69,671,494	74,538,153
Total Net Position	<u>\$ 274,997,773</u>	<u>\$ 260,799,674</u>	<u>\$ 216,323,773</u>	<u>\$ 208,408,333</u>	<u>\$ 491,321,546</u>	<u>\$ 469,208,007</u>

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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 \$491,321,546 (\$274,997,773 in governmental activities and \$216,323,773 in business type activities) as of December 31, 2014.

A large portion of the County's net position \$306,094,873 (62 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, \$115,551,179 (24 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$69,671,494 (14 percent), of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2014, the County is able to report positive balances in all three categories of net position, both for the County as a whole, as well as for its separate governmental and business-type activities. The County also reported positive balances in all categories of net position in 2013.

Total assets increased \$28,072,657 which represented a 5 percent increase over 2013. Total assets of governmental activities increased \$11.1 million primarily due to an increase in cash and cash equivalents of \$13.0 million and offset by \$1.9 million decrease in property tax receivables.

Total assets of business-type activities increased \$16.9 million primarily due to a \$7.6 million increase in cash and cash equivalents and increases in capital assets of \$9.5 million, which related to completed construction projects, \$.2 million increase in materials and supplies inventory, and an increase of \$.1 million in unbilled accounts. This was offset by a \$.5 million decrease in cash and cash equivalents.

Table 2 shows the changes in net position for the year ended December 31, 2014 and 2013.

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Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$20,009,758	\$22,158,811	\$40,470,392	\$40,850,470	\$60,480,150	\$63,009,281
Operating Grants and Contributions	46,968,220	54,844,336	101,729		47,069,949	54,844,336
Capital Grant and Contributions	2,457,919	2,229,616	1,536,748	1,154,030	3,994,667	3,383,646
Total Program Revenues	69,435,897	79,232,763	42,108,869	42,004,500	111,544,766	121,237,263
General Revenues:						
Property Taxes	44,782,493	44,956,991			44,782,493	44,956,991
Sales Tax	34,360,000	32,694,930			34,360,000	32,694,930
Conveyance Tax	2,717,742	2,538,644			2,717,742	2,538,644
Lodging Tax	864,929	815,766			864,929	815,766
Grants and Entitlements						
not Restricted	12,074,314	11,238,057			12,074,314	11,238,057
Interest	944,378	191,522		44	944,378	191,566
Miscellaneous	8,399,632	8,583,766	668,733	203,473	9,068,365	8,787,239
Total General Revenues	104,143,488	101,019,676	668,733	203,517	104,812,221	101,223,193
Total Revenues	173,579,385	180,252,439	42,777,602	42,208,017	216,356,987	222,460,456
Program Expenses						
General Government	18,701,598	16,727,336			18,701,598	16,727,336
Judicial and Public Safety	43,377,130	46,110,544			43,377,130	46,110,544
Public Works	14,337,370	16,496,812			14,337,370	16,496,812
Human Services	65,083,022	61,276,576			65,083,022	61,276,576
Health	14,575,895	15,803,620			14,575,895	15,803,620
Community & Econ. Development	2,503,362	3,269,743			2,503,362	3,269,743
Interest and Fiscal Charges	902,909	1,325,141			902,909	1,325,141
Water District			12,948,034	14,261,447	12,948,034	14,261,447
Wastewater District			16,325,815	15,682,926	16,325,815	15,682,926
Solid Waste District			5,488,313	6,553,425	5,488,313	6,553,425
Total Program Expenses	159,481,286	161,009,772	34,762,162	36,497,798	194,243,448	197,507,570
Increase (Decrease) in Net Position Before Transfers	14,098,099	19,242,667	8,015,440	5,710,219	22,113,539	24,952,886
Transfers	100,000	100,000	(100,000)	(100,000)	0	0
Change in Net Position	14,198,099	19,342,667	7,915,440	5,610,219	22,113,539	24,952,886
Net Position - January 1	260,799,674	241,457,007	208,408,333	202,798,114	469,208,007	444,255,121
Net Position - December 31	\$274,997,773	\$260,799,674	\$216,323,773	\$208,408,333	\$491,321,546	\$469,208,007

Total governmental activities expenses decreased from \$161,009,772 in 2013 to \$159,481,286 in 2014. Of the total \$159 million in governmental activities expenses, \$20,009,758 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

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to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions decreased from \$54,844,336 in 2013 to \$46,968,220 in 2014 due to a decrease in grants received. Property taxes remained almost the same as compared to 2013. In 2013, the County's 2.1 inside mills were reduced to 1.0 mils in conjunction with a one-half percent sales tax increase, which resulted in a 5 percent sales tax revenue increase. In January of 2013 the Board of Commissioners approved a one-half percent sales tax which became effective April 1, 2012 with the first collection of sales tax in July 2012. 2013 represented the first full year of the new sales tax rate. Real estate conveyance taxes increased 7 percent as the local and national real estate sales market continued its upward trend. Interest revenue increased by \$0.8 million from the prior year. This reflects the continued nationwide increase in investment interest rates. Charges for services to users in the business-type activities amounted to \$40,470,392 and an additional \$1,638,477 was received during the year for grants and contributions for operating and capital expenses. These two revenue sources more than offset the \$34,762,162 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$65,083,022 of expenses for governmental activities, or 41 percent of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenses in the human services program increased by \$3.8 million, which was primarily due to expenditures for the DD Board were increased in 2014 as compared to 2013 because of an increase in payroll related expenditures. The judicial and public safety program and the general government program account for the largest number of departments and between these two functions, expenditures decreased \$0.8 million in 2014 as compared to 2013, primarily due to a decrease in health care costs. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized decrease in expenses of \$0.8 million. Interest and fiscal charges on debt amounted to \$0.9 million in 2014, which was a 32 percent decrease from 2013.

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

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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 \$125,774,175. \$14,278,754 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 \$14,278,754 while the total fund balance was \$30,656,791. 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 31 percent of total General Fund expenditures, while total fund balance represents 66 percent of that same amount.

The fund balance of the County's General Fund increased by \$3.4 million during the current fiscal year. Overall General Fund revenues increased in 2014 by \$2.1 million as compared to the previous year. The primary reason for this increase is an increase in sales tax revenue and interest revenue. These increases were offset by a decreases in fees and charges for services, and miscellaneous revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$13.3 million during 2014.

With respect to the fund balances of the other major governmental funds, the DD Board Fund decreased by \$2.2 million primarily due to an increase in expenses due to an increase in hospitalization costs. The fund balance of the ADAMHS Board Fund increased by \$0.3 million primarily because of reduced expenditures in 2014, as well as additional one-time funding from the State. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,722,587 in 2013 to \$2,630,833 in 2014.

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 \$23,052,314, which was a 13 percent increase from 2013. This increase was primarily due to an increased cash position, which has a corresponding increase on unrestricted net position. Unrestricted net position for the Wastewater Fund amounted to \$19,805,224 which was a 9 percent increase as compared to 2013. The Solid Waste Fund's unrestricted net position amounted to a negative \$8,236,362 which is due to the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. The County will reduce this deficit on an annual basis as it reduces the long-term liability for the landfill closure and post-closure costs over the remaining life of the landfill. Operating revenues for all proprietary funds decreased from \$41,053,943 to \$41,046,686, or less than one percent, in 2014 as compared to

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2013 while operating expenses also increased by \$1,899,055 or 5 percent. This is primarily due to a decrease in fees, permits, and tap-ins within the water and waste-water funds.

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 increased by \$10,248,147 as compared to the original budget for a total increase of 20 percent, primarily due to increases in the estimates for sales tax and intergovernmental revenue. Actual revenues received were \$1,262,618 higher than the final certification.

Final budgeted expenditures and other financing uses increased by \$9,230,850 from the original budget. However, actual expenditures and other financing uses were \$1,523,596 less than final budgeted appropriations, which amounted to a 3 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 establish a hospitalization fund and an economic development fund while the advance was to the Homeland Security fund in order to purchase equipment.

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Capital Assets and Debt Administration

Capital Assets:

Table 3 shows 2014 values compared to 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,505,399	\$ 3,505,399	\$ 4,361,996	\$ 4,361,996	\$ 7,867,395	\$ 7,867,395
Construction in Progress	8,545,457	30,155,838	27,623,201	17,112,804	36,168,658	47,268,642
Land Improvements	237,749	237,038	86,588	99,163	324,337	336,201
Building & Other Structures	53,731,628	43,972,850			53,731,628	43,972,850
Furniture and Equipment	14,576,277	7,026,129	2,695,354	2,382,528	17,271,631	9,408,657
Infrastructure	66,417,967	67,809,295			66,417,967	67,809,295
Utility Plant in Service			178,386,685	179,663,613	178,386,685	179,663,613
Total Capital Assets	<u>\$ 147,014,477</u>	<u>\$ 152,706,549</u>	<u>\$ 213,153,824</u>	<u>\$ 203,620,104</u>	<u>\$ 360,168,301</u>	<u>\$ 356,326,653</u>

The County's investment in capital assets for its governmental and business type activities as of December 31, 2014, amount to \$306,094,873 (net of accumulated depreciation and related debt). This investment in capital assets includes land, 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:

- Total additions to construction-in-progress for governmental activities amounted to \$2.0 million in 2014 and reductions amounted to \$23.6 million.
- The purchase of \$131,942 in equipment for Information Technology operations.
- Various equipment purchases made the County Engineer totaling \$509,144
- Various building improvements and equipment purchases totaling \$17.3 million for various buildings and locations throughout the County.
- The completion of \$4.0 million in infrastructure projects with an additional \$27.6 million remaining in construction in progress for business-type activities.

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- The deletions of \$14.4 million were made up of various obsolescent vehicles, equipment, and property within governmental activities.

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.

Table 4
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 12,405,000	\$ 13,430,000	\$ 2,708,172	\$ 2,838,196	\$ 15,113,172	\$ 16,268,196
General Obligation Notes	0	2,008,340	0	0	0	2,008,340
Special Assessment Bonds	9,181,828	9,901,804	0	0	9,181,828	9,901,804
OWDA Loans	0	0	25,255,212	20,277,865	25,255,212	20,277,865
Other Long-term Liabilities	722,911	705,821	487,841	524,081	1,210,752	1,229,902
Capital Leases	312,462	0			312,462	0
Notes Payable			3,007,720		3,007,720	0
Unamortized Premium on Debt	537,684	561,881			537,684	561,881
Landfill Closure & Postclosure			22,947,456	22,947,456	22,947,456	22,947,456
Compensated Absences	9,860,712	10,198,086	1,563,349	1,503,667	11,424,061	11,701,753
	<u>\$ 33,020,597</u>	<u>\$ 36,805,932</u>	<u>\$ 55,969,750</u>	<u>\$ 48,091,265</u>	<u>\$ 88,990,347</u>	<u>\$ 84,897,197</u>

Of the debt outstanding at December 31, 2014, 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 0.6 percent of expenses for governmental activities.

The County's governmental long-term general obligations decreased by \$3,785,335, or 10 percent, in 2014. The long-term obligations for business-type activities increased by \$7,878,485, or 16 percent, during 2014. The County issued \$82,408 in Ohio Public Works Commission Loans and \$7,280,830 in Ohio Water Development Authority Loans during 2014 for business-type activities and an additional \$0.9 million debt was recorded for the landfill closure and post-

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closure costs. During the year, the County retired \$2.0 million in governmental long-term notes and issued \$3.0 million in business-type activities notes.

The County maintains an “Aa1” credit rating from Moody’s Investor Services, Inc. The overall debt margin at December 31, 2014 was \$127.2 million with an unvoted total debt margin of \$43.6 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 unassigned fund balance in the General Fund increased in 2014 as a result of the sales tax revenue increase and increase in cash and cash equivalents. Due to the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. Over the last several years, the Commissioners have instituted a hiring freeze. The Commissioners are reviewing all “non-statutorily” mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

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

As previously stated, the County’s returns on investments continued to suffer in 2014, 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 \$0.9 million in 2014.

Inflationary trends for the County fared favorably to national and state indices, but are still not very encouraging due to the state of the national economy. The unemployment rate for the County at the end of 2014 was 5.7 percent, which decreased from 6.7 percent a year ago. The County’s rate compares unfavorably to the State average which was 4.7 percent and the Federal rate which was 5.6 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties 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 in 2014, in contrast with the last few years, which was due to the national economic condition and the poor real estate market. 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, 2014
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>.

LAKE COUNTY, OHIO
Statement of Net Position
December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 122,524,613	\$ 53,706,040	\$ 176,230,653	\$ 794,369	\$ 1,012,685
Receivables:					
Property Taxes	46,891,015	-	46,891,015	-	-
Sales Tax	5,658,966	-	5,658,966	-	-
Accounts	788,259	6,006,735	6,794,994	74,145	65,920
Unbilled Accounts	-	4,202,942	4,202,942	-	-
Other Receivables	-	-	-	-	18,565
Special Assessments	16,888,158	-	16,888,158	-	-
Accrued Interest	497,290	15	497,305	-	-
Due from Other Governments	14,830,754	-	14,830,754	-	411,985
Materials and Supplies Inventory	1,036,793	1,890,975	2,927,768	442	-
Internal Balances	3,292	(3,292)	-	-	-
Loans Receivable	549,104	-	549,104	-	-
Prepaid Items	246,993	58,406	305,399	12,503	-
Nondepreciable Capital Assets	12,050,856	31,985,195	44,036,051	-	1,143,990
Depreciable Capital Assets (Net)	134,963,621	181,168,627	316,132,248	6,111	161,859
<i>Total Assets</i>	<u>356,929,714</u>	<u>279,015,643</u>	<u>635,945,357</u>	<u>887,570</u>	<u>2,815,004</u>
Deferred Outflows of Resources					
Deferred Charge on Refunding	255,639	-	255,639	-	-
Liabilities					
Accounts Payable	2,124,635	2,177,033	4,301,668	279	31,193
Contracts Payable	-	-	-	-	150,767
Accrued Wages and Benefits	3,633,106	448,831	4,081,937	31,134	-
Matured Compensated Absences Payable	137,325	-	137,325	-	-
Intergovernmental Payable	-	-	-	835	-
Accrued Interest Payable	75,049	31,392	106,441	-	2,981
Due to Other Governments	1,161,304	1,085,997	2,247,301	-	10,282
Unearned Revenue	-	2,499,709	2,499,709	-	49,999
Other Payables	-	-	-	2,139	246,227
Customer Deposits	-	479,158	479,158	-	-
Claims Payable	177,399	-	177,399	-	-
Notes Payable	-	-	-	-	-
Long Term Liabilities:					
Due Within One Year	2,750,554	5,477,433	8,227,987	-	36,821
Due Within More Than One Year	30,297,523	50,492,317	80,789,840	-	556,291
<i>Total Liabilities</i>	<u>40,356,895</u>	<u>62,691,870</u>	<u>103,048,765</u>	<u>34,387</u>	<u>1,084,561</u>
Deferred Inflows of Resources					
Property Taxes	41,830,685	-	41,830,685	-	-
Net Position					
Net Investment in Capital Assets	124,392,276	181,702,597	306,094,873	6,111	862,737
Restricted for:					
Debt Service	14,456,182	-	14,456,182	-	-
Capital Projects	22,163,833	-	22,163,833	-	20,500
Other Purposes	7,173,770	-	7,173,770	11,475	288,060
Public Assistance/Human Services	36,056,791	-	36,056,791	-	-
Roads & Bridges	4,389,574	-	4,389,574	-	-
Health Programs	6,826,415	-	6,826,415	-	-
Judicial/Public Safety Grants/Programs	10,641,466	-	10,641,466	-	-
Economic Development	1,481,879	-	1,481,879	-	-
Children's Services Programs	5,030,930	-	5,030,930	-	-
Other Public Works Activity	7,334,339	-	7,334,339	-	-
Unrestricted	35,050,318	34,621,176	69,671,494	835,597	559,146
<i>Total Net Position</i>	<u>\$ 274,997,773</u>	<u>\$ 216,323,773</u>	<u>\$ 491,321,546</u>	<u>\$ 853,183</u>	<u>\$ 1,730,443</u>

See accountants compilation report.

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, 2014

		Program Revenues		
	Expenses	Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 18,701,598	\$ 7,041,094	\$ -	\$ -
Judicial & Public Safety	43,377,130	10,206,917	1,959,082	450,855
Public Works	14,337,370	188,669	11,895,260	2,007,064
Human Services	65,083,022	1,949,705	27,338,959	-
Health	14,575,895	623,373	3,625,515	-
Community & Economic Development	2,503,362	-	2,149,404	-
Interest and Fiscal Charges	902,909	-	-	-
<i>Total Governmental Activities</i>	<u>159,481,286</u>	<u>20,009,758</u>	<u>46,968,220</u>	<u>2,457,919</u>
Business-Type Activities				
Water	12,948,034	16,444,580	23,447	534,137
Waste-Water	16,325,815	17,329,778	78,282	1,002,611
Solid Waste	5,488,313	6,696,034	-	-
<i>Total Business-Type Activities</i>	<u>34,762,162</u>	<u>40,470,392</u>	<u>101,729</u>	<u>1,536,748</u>
<i>Total - Primary Government</i>	<u>\$ 194,243,448</u>	<u>\$ 60,480,150</u>	<u>\$ 47,069,949</u>	<u>\$ 3,994,667</u>
Component Units				
Workshop	\$ 578,626	\$ 532,944	\$ 88,659	\$ -
Port Authority	1,478,614	209,457	1,211,848	894,174
<i>Total - Component Units</i>	<u>\$ 2,057,240</u>	<u>\$ 742,401</u>	<u>\$ 1,300,507</u>	<u>\$ 894,174</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				
Gain on Sale of Property				
Investment Earnings				
Miscellaneous				
<i>Total General Revenues</i>				
Net Transfers				
<i>Change in Net Position</i>				
<i>Net Position Beginning of Year</i>				
<i>Net Position End of Year</i>				

See accountants compilation report.

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
\$ (11,660,504)	\$ -	\$ (11,660,504)	\$ -	\$ -
(30,760,276)	-	(30,760,276)	-	-
(246,377)	-	(246,377)	-	-
(35,794,358)	-	(35,794,358)	-	-
(10,327,007)	-	(10,327,007)	-	-
(353,958)	-	(353,958)	-	-
(902,909)	-	(902,909)	-	-
(90,045,389)	-	(90,045,389)	-	-
-	4,054,130	4,054,130	-	-
-	2,084,856	2,084,856	-	-
-	1,207,721	1,207,721	-	-
-	7,346,707	7,346,707	-	-
<u>\$ (90,045,389)</u>	<u>\$ 7,346,707</u>	<u>\$ (82,698,682)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 42,977	\$ -
-	-	-	-	836,865
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,977</u>	<u>\$ 836,865</u>
4,955,834	-	4,955,834	-	-
23,658,876	-	23,658,876	-	-
8,053,587	-	8,053,587	-	-
3,054,361	-	3,054,361	-	-
1,075,576	-	1,075,576	-	-
1,460,384	-	1,460,384	-	-
2,523,875	-	2,523,875	-	-
34,360,000	-	34,360,000	-	-
2,717,742	-	2,717,742	-	-
864,929	-	864,929	-	-
12,074,314	-	12,074,314	-	-
-	-	-	-	290,820
944,378	-	944,378	17,114	-
8,399,632	668,733	9,068,365	-	50,726
104,143,488	668,733	104,812,221	17,114	341,546
100,000	(100,000)	-	-	-
14,198,099	7,915,440	22,113,539	60,091	1,178,411
260,799,674	208,408,333	469,208,007	793,092	552,032
<u>\$ 274,997,773</u>	<u>\$ 216,323,773</u>	<u>\$ 491,321,546</u>	<u>\$ 853,183</u>	<u>\$ 1,730,443</u>

LAKE COUNTY, OHIO

*Balance Sheet
Governmental Funds
December 31, 2014*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 25,244,705	\$ 29,373,612	\$ 4,049,970	\$ 1,576,078	\$ 52,849,832	\$ 113,094,197
Receivables:						
Property Taxes	5,265,248	24,810,234	8,424,378	-	8,391,155	46,891,015
Sales Tax	5,658,966	-	-	-	-	5,658,966
Accounts	330,443	81,331	-	-	228,565	640,339
Special Assessments	-	-	-	11,810,693	5,077,465	16,888,158
Accrued Interest	496,998	-	-	-	292	497,290
Due from Other Funds	2,694	-	-	-	206,662	209,356
Due from Other Governments	973,138	1,231,791	2,144,662	-	10,334,699	14,684,290
Materials and Supplies Inventory	-	-	-	-	989,467	989,467
Interfund Receivable	95,238	-	-	-	-	95,238
Loans Receivable	-	-	-	-	549,104	549,104
Prepaid Items	165,363	32,492	4,344	-	44,660	246,859
Total Assets	\$ 38,232,793	\$ 55,529,460	\$ 14,623,354	\$ 13,386,771	\$ 78,671,901	\$ 200,444,279
Liabilities						
Accounts Payable	\$ 557,544	\$ -	\$ 209,750	\$ -	\$ 1,194,331	\$ 1,961,625
Accrued Wages & Benefits	1,236,511	1,190,015	28,522	-	1,166,556	3,621,604
Matured Compensated Absences Payable	112,703	6,105	-	-	18,517	137,325
Due to Other Funds	90,439	815	167	-	178,112	269,533
Due to Other Governments	313,557	205,380	4,498	-	635,938	1,159,373
Interfund Payable	-	-	-	-	95,238	95,238
Total Liabilities	2,310,754	1,402,315	242,937	-	3,288,692	7,244,698
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	543,986	2,665,783	870,376	-	980,185	5,060,330
Unavailable Revenue - Special Assessments	-	-	-	10,755,938	-	10,755,938
Unavailable Revenue - Intergovernmental	-	83,482	2,009,501	-	7,685,470	9,778,453
Deferred Inflows - Property Taxes	4,721,262	22,144,451	7,554,002	-	7,410,970	41,830,685
Total Deferred Inflows of Resources	5,265,248	24,893,716	10,433,879	10,755,938	16,076,625	67,425,406
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	989,467	989,467
Prepaid Assets	165,363	32,492	4,344	-	44,660	246,859
Unclaimed Funds	646,298	-	-	-	-	646,298
Restricted for:						
Other Purposes	-	-	-	-	5,328,075	5,328,075
Debt Service	-	-	-	2,630,833	-	2,630,833
Capital Projects	-	-	-	-	22,163,833	22,163,833
Public Assistance/Human Services	-	29,200,937	-	-	1,482,659	30,683,596
Roads & Bridges	-	-	-	-	3,938,225	3,938,225
Health Programs	-	-	3,942,194	-	-	3,942,194
Judicial/Public Safety/Grant Programs	-	-	-	-	10,384,349	10,384,349
Economic Development	-	-	-	-	1,537,644	1,537,644
Children's Services	-	-	-	-	4,556,995	4,556,995
General Government Operations	-	-	-	-	1,613,447	1,613,447
Public Works	-	-	-	-	7,437,950	7,437,950
Committed for:						
Central Communications	1,744,724	-	-	-	-	1,744,724
Budget Stabilization	9,042,400	-	-	-	-	9,042,400
Employee Payroll	4,050,000	-	-	-	-	4,050,000
Assigned for:						
Encumbrances	230,432	-	-	-	-	230,432
Claimants	498,820	-	-	-	-	498,820
Unassigned (Deficit)	14,278,754	-	-	-	(170,720)	14,108,034
Total Fund Balances	30,656,791	29,233,429	3,946,538	2,630,833	59,306,584	125,774,175
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 38,232,793	\$ 55,529,460	\$ 14,623,354	\$ 13,386,771	\$ 78,671,901	\$ 200,444,279

See accountants compilation report.

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, 2014*

Total Governmental Fund Balances	\$	125,774,175
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*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		147,014,477
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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	5,060,330	
Special Assessments	10,755,938	
Intergovernmental	9,778,453	
Total		25,594,721

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(75,049)
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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		255,639

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Net Position	9,481,887	
Compensated Absences	(27,480)	
Total		9,454,407

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	(12,405,000)	
Special Assessment Bonds	(9,181,828)	
Other Long-Term Liabilities	(722,911)	
Unamortized Premium on Bonds	(537,684)	
Capital Leases	(312,462)	
Compensated Absences	(9,860,712)	
Total		(33,020,597)

Net Position of Governmental Activities	\$	274,997,773
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See accountants compilation report.

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, 2014

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 4,976,861	\$ 23,381,361	\$ 7,962,991	\$ -	\$ 7,858,577	\$ 44,179,790
Sales Tax	34,360,000	-	-	-	-	34,360,000
Conveyance & Other Local Taxes	2,717,742	-	-	-	864,929	3,582,671
Fees & Charges for Services	7,971,315	-	-	-	9,483,716	17,455,031
Licenses & Permits	591,279	-	-	-	910,664	1,501,943
Fines & Forfeitures	166,371	-	-	-	1,256,944	1,423,315
Intergovernmental	6,058,254	18,771,182	4,487,967	-	26,896,869	56,214,272
Special Assessments	-	-	-	1,057,981	5,132,964	6,190,945
Interest	940,376	-	-	-	4,002	944,378
Contributions & Donations	-	17,268	-	-	38,288	55,556
Miscellaneous	2,639,738	1,163,240	356,172	-	4,240,482	8,399,632
Total Revenues	60,421,936	43,333,051	12,807,130	1,057,981	56,687,435	174,307,533
Expenditures						
Current:						
General Government	13,415,724	-	-	-	4,567,771	17,983,495
Judicial & Public Safety	31,870,176	-	-	-	9,735,325	41,605,501
Public Works	170,211	-	-	-	11,013,950	11,184,161
Human Services	1,188,996	39,725,911	-	-	24,286,112	65,201,019
Health	4,664	-	12,464,356	-	497,642	12,966,662
Community & Economic Development	-	-	-	-	2,530,487	2,530,487
Capital Outlay	-	-	-	-	5,109,749	5,109,749
Debt Service:						
Principal Retirement	-	-	-	719,976	3,186,281	3,906,257
Interest and Fiscal Charges	-	-	-	429,759	505,529	935,288
Total Expenditures	46,649,771	39,725,911	12,464,356	1,149,735	61,432,846	161,422,619
Excess of Revenues Over (Under) Expenditures	13,772,165	3,607,140	342,774	(91,754)	(4,745,411)	12,884,914
Other Financing Sources (Uses)						
Inception of Capital Lease	-	-	-	-	408,784	408,784
Proceeds from OPWC Loan	-	-	-	-	82,408	82,408
Proceeds from Sale of Capital Assets	1,829,717	-	-	-	51,599	1,881,316
Transfers In	1,144,758	-	-	-	24,464,767	25,609,525
Transfers Out	(13,333,321)	(5,808,688)	-	-	(6,612,516)	(25,754,525)
Total Financing Sources (Uses)	(10,358,846)	(5,808,688)	-	-	18,395,042	2,227,508
Net Change in Fund Balance	3,413,319	(2,201,548)	342,774	(91,754)	13,649,631	15,112,422
Fund Balance Beginning of Year	27,243,472	31,434,977	3,603,764	2,722,587	45,656,953	110,661,753
Fund Balance End of Year	\$ 30,656,791	\$ 29,233,429	\$ 3,946,538	\$ 2,630,833	\$ 59,306,584	\$ 125,774,175

See accountants compilation report.

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, 2014*

Net Change in Fund Balances - Total Governmental Funds		\$ 15,112,422
<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	6,881,625	
Current Year Depreciation	<u>(8,209,503)</u>	
Total		(1,327,878)
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.		
		(4,340,347)
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	602,703	
Special Assessments	(977,657)	
Intergovernmental	<u>(353,194)</u>	
Total		(728,148)
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	1,025,000	
S.A. Bonds	719,976	
OPWC Loans	64,959	
Notes	2,000,000	
Capital Leases	<u>96,322</u>	
Total		3,906,257
The internal service funds used by management to charge the costs of insurance to individual funds is not reported in 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	1,893,965	
Capital Assets	(23,847)	
Compensated Absences	<u>(27,480)</u>	
Total		1,842,638
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		191,968
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>32,896</u>	
Total		9,299
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		23,080
Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.		
OPWC Loan Issued	(82,408)	
Inception of Capital Lease	<u>(408,784)</u>	
Total		(491,192)
Change in Net Position of Governmental Activities		<u>\$ 14,198,099</u>

See accountants compilation report.

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, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 4,821,429	\$ 4,971,429	\$ 4,976,861	\$ 5,432
Sales Tax	29,000,000	34,000,000	34,017,546	17,546
Conveyance & Other Local Taxes	2,100,500	2,691,700	2,717,742	26,042
Fees & Charges for Services	5,819,000	6,144,650	6,229,977	85,327
Licenses & Permits	508,475	596,575	589,799	(6,776)
Fines & Forfeitures	177,000	183,000	165,540	(17,460)
Intergovernmental	5,018,655	6,078,573	6,076,760	(1,813)
Interest	525,000	770,000	772,619	2,619
Miscellaneous	1,855,200	2,509,275	2,620,172	110,897
<i>Total Revenues</i>	<u>49,825,259</u>	<u>57,945,202</u>	<u>58,167,016</u>	<u>221,814</u>
Expenditures				
Current:				
General Government	14,710,955	13,139,185	12,394,574	744,611
Judicial & Public Safety	30,765,093	32,676,787	32,104,125	572,662
Public Works	190,171	193,198	179,812	13,386
Human Services	1,299,481	1,281,919	1,191,512	90,407
Health	83,834	91,449	88,010	3,439
<i>Total Expenditures</i>	<u>47,049,534</u>	<u>47,382,538</u>	<u>45,958,033</u>	<u>1,424,505</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,775,725</u>	<u>10,562,664</u>	<u>12,208,983</u>	<u>1,646,319</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	7,500	1,857,500	1,829,717	(27,783)
Advances In	340,000	367,936	367,936	-
Advances Out	-	(69,648)	(69,648)	-
Transfers In	225,903	476,171	1,544,758	1,068,587
Transfers Out	(4,534,566)	(13,362,764)	(13,333,321)	29,443
<i>Total Other Financing Sources (Uses)</i>	<u>(3,961,163)</u>	<u>(10,730,805)</u>	<u>(9,660,558)</u>	<u>1,070,247</u>
<i>Net Change in Fund Balance</i>	<u>(1,185,438)</u>	<u>(168,141)</u>	<u>2,548,425</u>	<u>2,716,566</u>
<i>Fund Balance Beginning of Year</i>	<u>18,904,462</u>	<u>18,904,462</u>	<u>18,904,462</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>571,294</u>	<u>571,294</u>	<u>571,294</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 18,290,318</u>	<u>\$ 19,307,615</u>	<u>\$ 22,024,181</u>	<u>\$ 2,716,566</u>

See accountants compilation report.

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, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 23,302,691	\$ 22,875,324	\$ 23,381,361	\$ 506,037
Intergovernmental	16,869,044	18,384,997	18,863,492	478,495
Contributions & Donations	8,000	17,000	17,268	268
Miscellaneous	1,119,131	1,276,440	1,103,966	(172,474)
<i>Total Revenues</i>	41,298,866	42,553,761	43,366,087	812,326
Expenditures				
Current:				
Human Services	41,955,191	41,929,507	39,741,209	2,188,298
<i>Excess of Revenues Over (Under) Expenditures</i>	(656,325)	624,254	3,624,878	3,000,624
Other Financing Sources (Uses)				
Transfers Out	(1,350,000)	(5,808,688)	(5,808,688)	-
<i>Net Change in Fund Balance</i>	(2,006,325)	(5,184,434)	(2,183,810)	3,000,624
<i>Fund Balance Beginning of Year</i>	31,533,197	31,533,197	31,533,197	-
<i>Fund Balance End of Year</i>	<u>\$ 29,526,872</u>	<u>\$ 26,348,763</u>	<u>\$ 29,349,387</u>	<u>\$ 3,000,624</u>

See accountants compilation report.

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 8,700,000	\$ 8,700,000	\$ 7,962,991	\$ (737,009)
Intergovernmental	4,325,000	4,533,153	5,010,497	477,344
Miscellaneous	300,000	300,000	356,172	56,172
<i>Total Revenues</i>	13,325,000	13,533,153	13,329,660	(203,493)
Expenditures				
Current:				
Health	14,359,030	14,431,116	12,438,904	1,992,212
<i>Net Change in Fund Balance</i>	(1,034,030)	(897,963)	890,756	1,788,719
<i>Fund Balance Beginning of Year</i>	2,623,281	2,623,281	2,623,281	-
Prior Year Encumbrances Appropriated	531,623	531,623	531,623	-
<i>Fund Balance End of Year</i>	<u>\$ 2,120,874</u>	<u>\$ 2,256,941</u>	<u>\$ 4,045,660</u>	<u>\$ 1,788,719</u>

See accountants compilation report.

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, 2014

	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	\$ 22,334,440	\$ 17,142,791	\$ 14,228,809	\$ 53,706,040	\$ 9,430,416
Net Receivables:					
Accounts	2,719,107	2,536,669	750,959	6,006,735	147,920
Unbilled Accounts	1,808,533	2,394,409	-	4,202,942	-
Accrued Interest	-	15	-	15	-
Due from Other Funds	-	135,000	63,837	198,837	63,587
Due from Other Governments	-	-	-	-	146,464
Prepaid Items	25,167	29,066	4,173	58,406	134
Materials and Supplies Inventory	1,455,347	431,810	3,818	1,890,975	47,326
<i>Total Current Assets</i>	<u>28,342,594</u>	<u>22,669,760</u>	<u>15,051,596</u>	<u>66,063,950</u>	<u>9,835,847</u>
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,558,229	4,361,996	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	146,312,147	229,002,786	21,908,716	397,223,649	-
Furniture, Fixtures & Equipment	4,277,541	5,436,644	690,090	10,404,275	29,990
Less: Accumulated Depreciation	(89,156,188)	(126,983,971)	(10,702,961)	(226,843,120)	(29,990)
Construction in Progress	7,080,671	19,819,812	722,716	27,623,199	-
<i>Total Noncurrent Assets</i>	<u>69,905,906</u>	<u>128,811,810</u>	<u>14,436,106</u>	<u>213,153,822</u>	<u>-</u>
<i>Total Assets</i>	<u>98,248,500</u>	<u>151,481,570</u>	<u>29,487,702</u>	<u>279,217,772</u>	<u>9,835,847</u>
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	1,724,290	263,403	189,340	2,177,033	163,010
Accrued Wages & Benefits	212,495	221,024	15,312	448,831	11,502
Accrued Interest Payable	22,500	8,892	-	31,392	-
Unearned Revenue	1,125,580	1,374,129	-	2,499,709	-
Due to Other Funds	201,048	971	110	202,129	118
Due to Other Governments	940,000	44,757	101,240	1,085,997	1,931
Claims Payable	-	-	-	-	177,399
Customer Deposits	226,630	252,528	-	479,158	-
Notes Payable	3,007,720	-	-	3,007,720	-
Compensated Absences Payable - Current	73,124	61,567	3,039	137,730	2,436
OWDA Loans Payable - Current	-	2,159,146	-	2,159,146	-
General Obligation Bonds Payable - Current	-	135,869	-	135,869	-
Other Long-Term Debt Payable - Current	2,478	34,490	-	36,968	-
<i>Total Current Liabilities</i>	<u>7,535,865</u>	<u>4,556,776</u>	<u>309,041</u>	<u>12,401,682</u>	<u>356,396</u>
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	756,893	637,265	31,461	1,425,619	25,044
OWDA Loans Payable	-	23,096,066	-	23,096,066	-
General Obligation Bonds Payable	-	2,572,303	-	2,572,303	-
Other Long-Term Debt Payable	42,116	408,757	-	450,873	-
Landfill Closure & Post-Closure Costs	-	-	22,947,456	22,947,456	-
<i>Total Long-Term Liabilities</i>	<u>799,009</u>	<u>26,714,391</u>	<u>22,978,917</u>	<u>50,492,317</u>	<u>25,044</u>
<i>Total Liabilities</i>	<u>8,334,874</u>	<u>31,271,167</u>	<u>23,287,958</u>	<u>62,893,999</u>	<u>381,440</u>
Net Position					
Net Investment in Capital Assets	66,861,312	100,405,179	14,436,106	181,702,597	-
Unrestricted (Deficit)	23,052,314	19,805,224	(8,236,362)	34,621,176	9,454,407
<i>Total Net Position</i>	<u>\$ 89,913,626</u>	<u>\$ 120,210,403</u>	<u>\$ 6,199,744</u>	<u>\$ 216,323,773</u>	<u>\$ 9,454,407</u>

See accountants compilation report.

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, 2014

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Operating Revenues					
Water Sales	\$ 16,079,468	\$ -	\$ -	\$ 16,079,468	\$ -
Sewer Charges	-	15,914,199	-	15,914,199	-
Fees, Permits & Tap-Ins	277,440	980,321	-	1,257,761	-
Charges for Services	87,672	435,258	6,696,034	7,218,964	21,835,940
Other Operating Revenues	90,376	473,145	12,773	576,294	289,771
<i>Total Operating Revenues</i>	<u>16,534,956</u>	<u>17,802,923</u>	<u>6,708,807</u>	<u>41,046,686</u>	<u>22,125,711</u>
Operating Expenses					
Personal Services	6,252,690	6,373,157	445,582	13,071,429	318,734
Contractual Services	2,550,782	3,162,804	4,072,448	9,786,034	358,494
Materials & Supplies	1,554,613	1,249,360	72,521	2,876,494	1,049,270
Other Operating Expenses	289,143	430,783	121,049	840,975	323,934
Depreciation Expense	2,300,806	4,162,142	776,713	7,239,661	23,847
Insurance Claims	-	-	-	-	18,453,794
<i>Total Operating Expenses</i>	<u>12,948,034</u>	<u>15,378,246</u>	<u>5,488,313</u>	<u>33,814,593</u>	<u>20,528,073</u>
<i>Operating Income (Loss)</i>	<u>3,586,922</u>	<u>2,424,677</u>	<u>1,220,494</u>	<u>7,232,093</u>	<u>1,597,638</u>
Non-Operating Revenues (Expenses)					
Other Non-Operating Revenues	21,986	35,718	34,735	92,439	-
Interest and Fiscal Charges	-	(947,569)	-	(947,569)	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>21,986</u>	<u>(911,851)</u>	<u>34,735</u>	<u>(855,130)</u>	<u>-</u>
<i>Income (Loss) Before Contributions & Transfers</i>	<u>3,608,908</u>	<u>1,512,826</u>	<u>1,255,229</u>	<u>6,376,963</u>	<u>1,597,638</u>
Grants & Contributed Capital	534,137	1,002,611	-	1,536,748	-
Contributions from Customers	23,447	78,282	-	101,729	-
Transfers In	-	-	-	-	245,000
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Change in Net Position</i>	<u>4,066,492</u>	<u>2,593,719</u>	<u>1,255,229</u>	<u>7,915,440</u>	<u>1,842,638</u>
<i>Net Position Beginning of Year</i>	<u>85,847,134</u>	<u>117,616,684</u>	<u>4,944,515</u>	<u>208,408,333</u>	<u>7,611,769</u>
<i>Net Position End of Year</i>	<u>\$ 89,913,626</u>	<u>\$ 120,210,403</u>	<u>\$ 6,199,744</u>	<u>\$ 216,323,773</u>	<u>\$ 9,454,407</u>

See accountants compilation report.

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, 2014

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
Cash Flows From Operating Activities:					
Cash Received from Customers	\$ 16,701,035	\$ 17,576,791	\$ 6,658,776	\$ 40,936,602	\$ 21,836,394
Other Operating Revenues	90,376	473,145	12,773	576,294	23,329
Cash Paid to Suppliers	(1,767,796)	(1,323,226)	(72,210)	(3,163,232)	(1,096,424)
Cash Paid to Employees	(6,206,105)	(6,323,171)	(438,854)	(12,968,130)	(450,387)
Cash Paid for Contractual Services	(2,641,680)	(3,165,116)	(4,104,691)	(9,911,487)	(175,655)
Cash Paid for Other Operating Expenses	(327,633)	(441,141)	(113,450)	(882,224)	(250,687)
Cash Paid for Claims	-	-	-	-	(18,564,482)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>5,848,197</u>	<u>6,797,282</u>	<u>1,942,344</u>	<u>14,587,823</u>	<u>1,322,088</u>
Cash Flows From Non-Capital Financing Activities					
Advances In	-	135,000	63,835	198,835	-
Advances Out	(198,835)	-	-	(198,835)	-
Transfers In	-	-	-	-	245,000
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(298,835)</u>	<u>135,000</u>	<u>63,835</u>	<u>(100,000)</u>	<u>245,000</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds of OWDA Loans	-	7,280,830	-	7,280,830	-
Proceeds of Notes	3,000,000	-	-	3,000,000	-
Premium on Note Issuance	15,440	-	-	15,440	-
Cash Received from Capital Grants	79,170	298,451	-	377,621	-
Cash Received from Disposal of Capital Assets	21,986	35,718	34,735	92,439	-
Payment for Capital Acquisitions	(4,956,771)	(9,248,622)	(146,558)	(14,351,951)	-
Principal Paid on Debt	(2,478)	(2,467,269)	-	(2,469,747)	-
Interest Paid on Debt	-	(947,609)	-	(947,609)	-
Capital Contributed by Customers	23,447	78,282	-	101,729	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(1,819,206)</u>	<u>(4,970,219)</u>	<u>(111,823)</u>	<u>(6,901,248)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest on Investments	-	293	-	293	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>3,730,156</u>	<u>1,962,356</u>	<u>1,894,356</u>	<u>7,586,868</u>	<u>1,567,088</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>18,604,284</u>	<u>15,180,435</u>	<u>12,334,453</u>	<u>46,119,172</u>	<u>7,863,328</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 22,334,440</u>	<u>\$ 17,142,791</u>	<u>\$ 14,228,809</u>	<u>\$ 53,706,040</u>	<u>\$ 9,430,416</u>

(Continued)

LAKE COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2014

	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)	\$ 3,586,922	\$ 2,424,677	\$ 1,220,494	\$ 7,232,093	\$ 1,597,638
Adjustments:					
Depreciation	2,300,806	4,162,142	776,713	7,239,661	23,847
(Increase) Decrease in Assets:					
Accounts Receivable	227,342	206,506	(37,258)	396,590	(147,920)
Unbilled Accounts Receivable	(20,237)	(393)	-	(20,630)	-
Inventory	(180,670)	(34,648)	244	(215,074)	(25,191)
Due from Other Funds	-	-	-	-	18,821
Due from Other Governments	-	-	-	-	(136,889)
Prepaid Items	(393)	(966)	283	(1,076)	2,964
Increase (Decrease) in Liabilities:					
Accounts Payable	131,814	41,323	(18,053)	155,084	81,010
Accrued Wages	19,081	15,919	2,632	37,632	(10,361)
Due to Other Funds	(5,895)	(6,673)	55	(12,513)	(290)
Due to Other Governments	(284,436)	(82,992)	(6,448)	(373,876)	(25,500)
Compensated Absences Payable	24,513	31,487	3,682	59,682	(117,926)
Customer Deposits	49,350	40,900	-	90,250	-
Landfill Closure & Post-Closure Costs	-	-	-	-	-
Claims Payable	-	-	-	-	61,885
<i>Total Adjustments</i>	<u>2,261,275</u>	<u>4,372,605</u>	<u>721,850</u>	<u>7,355,730</u>	<u>(275,550)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 5,848,197</u>	<u>\$ 6,797,282</u>	<u>\$ 1,942,344</u>	<u>\$ 14,587,823</u>	<u>\$ 1,322,088</u>

See accountants compilation report.

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

LAKE COUNTY, OHIO
Statement of Fiduciary Net Position
Agency Funds
December 31, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 26,500,602
Cash and Cash Equivalents - Non-Pooled Cash	8,048,511
Receivables:	
Taxes	287,780,762
Special Assessments	10,060,068
Due from Other Governments	<u>1,608,850</u>
<i>Total Assets</i>	<u><u>\$ 333,998,793</u></u>
Liabilities:	
Due to Other Governments	\$ 318,054,580
Other Liabilities	<u>15,944,213</u>
<i>Total Liabilities</i>	<u><u>\$ 333,998,793</u></u>

See accountants compilation report.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014

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 PORT AUTHORITY (the Port Authority)

The Lake County 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 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, 2014

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, 2014

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 2014, 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, 2014

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

Jointly Governed Organizations (Continued)

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)

Northeast Ohio Areawide Coordinating Agency NOACA was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. In 2014, 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, 2014

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, 2014

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, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Funds:

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

MEASUREMENT FOCUS

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities 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, 2014

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 K). 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 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.

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2014 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenses/Expenditures

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

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

BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2014.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

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. 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 2014.

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

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.

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2014 totaled \$940,376, which includes \$151,314 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.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the same as the fair value of the underlying investment.

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 fund balance restricted account. This indicates that they do not constitute expendable available financial resources, and, therefore, are not available for appropriation.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2014 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, 2014

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:

Description	Governmental	Business-Type
	Activities Estimated	Activities Estimated
	Lives	Lives
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, 2014

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 2014 and included in construction-in-progress for the Enterprise Funds was \$22,207.

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 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (continued)

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.

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 mentally retarded and 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

DEFERRED OUTFLOW FROM REFUNDING

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position and the statement of fund net position of the proprietary funds.

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.

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 fiscal year 2014, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 67, “Financial Reporting for Pension Plans”, Statement No. 69, “Government Combinations and Disposals of Government Operations”, and Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No. 67 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of GASB Statement No. 67 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, 2014

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. Disclosures about government combinations and disposals of government operations are required to enable financial statement users to evaluate the nature and financial effects of those transactions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

GASB Statement No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 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).

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE D – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

	Net Change in Fund Balance General and Major Special Revenue Funds		
	General	DD Board	ADAMHS Board
GAAP Basis	\$3,413,319	(\$2,201,548)	\$342,774
Net Adjustment for Revenue Accruals	110,743	33,036	522,530
Advances In	367,936	-	-
Advances Out	(69,648)	-	-
Beginning Fair Value Adjustment	123,373	-	-
Ending Fair Value Adjustment	(73,855)	-	-
Net Adjustment for Expenditure Accruals	(474,445)	0	29,762
Adjustment for Funds Budgeted as Special Revenue	(421,737)	8,927	-
Adjustment for Encumbrances	(427,261)	(24,225)	(4,310)
Budget Basis	<u>\$2,548,425</u>	<u>(\$2,183,810)</u>	<u>\$890,756</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:

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

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;
10. No-load money market mutual fund rated in the highest category at the time of purchase;

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

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, 2014, the carrying amount of the County's deposits was \$137,612,513. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$137,506,412 of the County's bank balance of \$140,398,112 was exposed to custodial risk as discussed below, while \$2,891,700 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, 2014

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments are reported at fair value. As of December 31, 2014, the County had the following investments:

Investment Type	Less than six months	Investment Maturities		Total
		More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	
Federal Farm Credit Bank	\$ -	\$ 4,002,525	\$ 26,958,104	\$ 30,960,629
Federal Home Loan Bank Notes	-	2,899,925	10,103,500	13,003,425
Federal Home Loan Mortgage Corporation	-	-	20,714,500	20,714,500
Federal National Mortgage Association	-	-	5,999,550	5,999,550
Municipal & Ohio Entities	-	1,231,438	2,500,000	3,731,438
STAR Ohio	170	-	-	170
Total Portfolio	\$ 170	\$ 8,133,888	\$ 66,275,654	\$ 74,409,712

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

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, 2014:

Federal Farm Credit Bank Bonds	\$ 30,960,629	41.6%
Federal Home Loan Bank Notes	13,003,425	17.5%
Federal Home Loan Mortgage Corporation	20,714,500	27.8%
Federal National Mortgage Association	5,999,550	8.1%
Municipal - Ohio Entities	3,731,438	5.0%
STAR Ohio	170	0.0%
Total Investments	<u>\$ 74,409,712</u>	<u>100.0%</u>

COMPONENT UNITS

At December 31, 2014, the carrying amount of Deepwood Industries, Inc. Workshop's deposits was \$794,369. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2014, none of the Workshop's bank balance of \$313,979 was exposed to custodial risk, meaning all was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2014, the carrying amount of the Lake County Port Authority's deposits was \$1,016,052. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2014, \$678,892 of the Port Authority's bank balance of \$1,015,832 was exposed to custodial risk, meaning \$336,940 was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE F – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014
Governmental Activities				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,505,399	\$ -	\$ -	\$ 3,505,399
Construction in Progress	30,155,838	2,032,933	(23,643,314)	8,545,457
<i>Total Capital Assets Not Being Depreciated</i>	<u>33,661,237</u>	<u>2,032,933</u>	<u>(23,643,314)</u>	<u>12,050,856</u>
<i>Capital Assets, Being Depreciated:</i>				
Land improvements	931,953	26,188	(56,238)	901,903
Buildings & other structures	96,981,863	16,634,203	(13,674,318)	99,941,748
Furniture, fixtures & equipment	30,196,139	9,601,165	(869,068)	38,928,236
Infrastructure	112,061,327	2,230,450	-	114,291,777
<i>Total Capital Assets, Being Depreciated</i>	<u>240,171,282</u>	<u>28,492,006</u>	<u>(14,599,624)</u>	<u>254,063,664</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(694,915)	(25,173)	55,934	(664,154)
Buildings & other structures	(53,009,013)	(2,545,918)	9,344,811	(46,210,120)
Furniture, fixtures & equipment	(23,170,010)	(2,016,634)	834,685	(24,351,959)
Infrastructure	(44,252,032)	(3,621,778)	-	(47,873,810)
<i>Total Accumulated Depreciation</i>	<u>(121,125,970)</u>	<u>(8,209,503) *</u>	<u>10,235,430</u>	<u>(119,100,043)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>119,045,312</u>	<u>20,282,503</u>	<u>(4,364,194)</u>	<u>134,963,621</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 152,706,549</u>	<u>\$ 22,315,436</u>	<u>\$ (28,007,508)</u>	<u>\$ 147,014,477</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE F – CAPITAL ASSETS (CONTINUED)

* Depreciation expense was charged to governmental functions as follows:

General Government	\$ 725,607
Judicial and Public Safety	2,616,984
Public Works	4,098,856
Human Services	685,378
Health	82,678
	<u>82,678</u>
Total	<u>\$ 8,209,503</u>

Business-type capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,361,996	\$ -	\$ -	\$ 4,361,996
Construction in Progress	17,112,804	14,513,301	(4,002,904)	27,623,201
<i>Total Capital Assets Not Being Depreciated</i>	<u>21,474,800</u>	<u>14,513,301</u>	<u>(4,002,904)</u>	<u>31,985,197</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	391,958,789	5,264,860	-	397,223,649
Furniture, Fixtures and equipment	10,087,376	998,124	(681,225)	10,404,275
<i>Total Capital Assets, Being Depreciated</i>	<u>402,429,988</u>	<u>6,262,984</u>	<u>(681,225)</u>	<u>408,011,747</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(284,660)	(12,575)	-	(297,235)
Utility Plant in Service	(212,295,176)	(6,541,788)	-	(218,836,964)
Furniture, fixtures and equipment	(7,704,848)	(685,298)	681,225	(7,708,921)
<i>Total Accumulated Depreciation</i>	<u>(220,284,684)</u>	<u>(7,239,661)</u>	<u>681,225</u>	<u>(226,843,120)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>182,145,304</u>	<u>(976,677)</u>	<u>-</u>	<u>181,168,627</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 203,620,104</u>	<u>\$ 13,536,624</u>	<u>\$ (4,002,904)</u>	<u>\$ 213,153,824</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2014, 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.

	Due From	Due To
Government-Type Activities:		
General Fund	\$2,694	\$90,439
Developmental Disabilities Board	-	815
ADAMHS Board	-	167
Other Nonmajor Governmental Funds	206,662	178,112
<i>Total Government-Type Activities</i>	<u>\$209,356</u>	<u>\$269,533</u>
Business-Type Activities:		
Water District	-	201,048
Sewer District	135,000	971
Solid Waste District	63,837	110
Internal Service Funds	63,587	118
<i>Total Business-Type Activities</i>	<u>262,424</u>	<u>202,247</u>
Total	<u><u>\$471,780</u></u>	<u><u>\$471,780</u></u>

	Interfund Receivables	Interfund Payables
General Fund	\$95,238	-
Homeland Security	-	75,473
Juvenile Court Computerization	-	19,765
Total	<u><u>\$95,238</u></u>	<u><u>\$95,238</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 General Fund also provided cash to the Homeland Security Fund for a deficiency in the fund due to the timing of a grant reimbursement.

NOTE H – LONG-TERM DEBT

Changes in the County's long-term obligations during the year ended December 31, 2014 consist of the following:

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2014	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2014	AMOUNTS DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES								
<i>General Obligation Notes</i>								
2013/2014	Garage Purchase & Renovation	2,000,000	1.00%	<u>\$2,000,000</u>	-	<u>(\$2,000,000)</u>	-	-
Total General Obligation Notes				<u>2,000,000</u>	-	<u>(2,000,000)</u>	-	-
<i>General Obligation Bonds</i>								
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	2,290,000	-	(720,000)	1,570,000	755,000
2013/2025	County Building Improvement & Refunding	9,435,000	1.25%-3.50%	9,435,000	-	(80,000)	9,355,000	95,000
1995/2015	Human Services Center	2,500,000	3.00%-5.00%	365,000	-	(180,000)	185,000	185,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	<u>1,340,000</u>	-	<u>(45,000)</u>	<u>1,295,000</u>	<u>45,000</u>
Total General Obligation Bonds – Unvoted				<u>13,430,000</u>	-	<u>(1,025,000)</u>	<u>12,405,000</u>	<u>1,080,000</u>
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	70,000	-	(70,000)	-	-
	Perry Area 166S	965,000	4.95%-6.75%	150,000	-	(50,000)	100,000	50,000
	Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	850,000	5.80%	180,000	-	(50,000)	130,000	50,000
2000/2020	Girdled, Wood, Timberlane	1,145,000	5.60%	420,000	-	(60,000)	360,000	60,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,280,000	5.60%	500,000	-	(65,000)	435,000	65,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	2,862,500	2.00%-4.75%	1,572,650	-	(146,850)	1,425,800	152,750
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%	1,040,000	-	(75,000)	965,000	80,000
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	670,000	3.50%-5.00%	465,000	-	(30,000)	435,000	30,000
2010/2008/2028	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%	1,530,000	-	(75,000)	1,455,000	75,000
2009/2029	Maple Street, 291S	540,000	2.00%-5.25%	465,000	-	(20,000)	445,000	20,000
2013/2042	Kirtland Sanitary Sewer	3,538,451	2.00%-3.75%	<u>3,509,154</u>	-	<u>(78,126)</u>	<u>3,431,028</u>	<u>81,381</u>
Total Special Assessment Bonds				<u>\$9,901,804</u>	-	<u>(\$719,976)</u>	<u>\$9,181,828</u>	<u>664,131</u>
<i>Other Long-Term Liabilities</i>								
2008/2018	US Rte 20 Storm Drainage Outlet							
	Sewer OPWC CG10J	150,000	0.00%	\$67,500	-	(\$15,000)	\$52,500	\$15,000
2010/2025	Mill-Morr Dr, Ravenna Rd							
	OPWC CG71M	218,009	0.00%	159,873	-	(14,534)	145,339	14,534
2010/2030	River Rd Safety Improvement							
	Phase II OPWC CG34L	588,000	0.00%	470,400	-	(29,400)	441,000	29,400
2013/2029	Blasé Nemeth Widening							
	OPWC CG22P	8,327	0.00%	8,048	-	(555)	7,494	555
2013/2029	Vrooman Road-State Rt. 86							
	OPWC CG05P	82,048	0.00%	-	<u>82,048</u>	<u>(5,470)</u>	<u>76,576</u>	<u>5,470</u>
Total Other Long-Term Liabilities				<u>705,822</u>	<u>82,048</u>	<u>(64,959)</u>	<u>722,911</u>	<u>64,959</u>
<i>Unamortized Premium on Debt Issues</i>				570,221	-	(8,472)	561,749	5,796
<i>Capital Leases</i>				-	408,783	(96,322)	312,461	58,201
<i>Compensated Absences</i>				<u>10,198,086</u>	<u>563,774</u>	<u>(736,180)</u>	<u>10,025,680</u>	<u>883,263</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$36,805,933</u>	<u>\$1,054,605</u>	<u>(4,650,909)</u>	<u>\$33,209,629</u>	<u>\$2,756,350</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2014	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2014	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%	\$957,350	\$-	(\$88,150)	\$869,200	\$92,250
2012/2042	Kirtland Sanitary Sewer 284S	1,896,549	2.00%-3.75%	1,880,846	-	(41,874)	1,838,972	43,619
Total Payable from Wastewater				2,838,196	0	(130,024)	2,708,172	135,869
Total Self Supporting General Obligation Bonds				2,838,196	0	(130,024)	2,708,172	135,869
<i>OWDA Loans</i>								
<i>Payable from Wastewater Revenues</i>								
2000/2020	Project 218S	36,199,145	4.12%	15,115,778	-	(2,072,864)	13,042,914	2,159,146
2015/2039	Madison Township WWTP Expansion		2.74%-3.24%	5,162,087	7,280,830	(230,619)	12,212,298	0
Total Payable from Wastewater				20,277,865	7,280,830	(2,303,483)	25,255,212	2,159,146
Total OWDA Loans				20,277,865	7,280,830	(2,303,483)	25,255,212	2,159,146
<i>Other Long-Term Liabilities</i>								
<i>Payable from Wastewater Revenues</i>								
2006/2025	City of Willoughby Hills Mentor Headlands San Sewer	488,959	3.03%	306,270	-	(23,848)	282,422	24,576
2010/2029	Replacement OPWC CG17K Dundee Glasgow & Kelso Sewer	142,683	0.00%	114,147	-	(7,134)	107,013	7,134
2011/2041	OPWC CG02M Bellflower Area Outlet Sewer Replace	8,402	0.00%	7,842	-	(280)	7,562	280
2013/2033	OPWC CG38O	50,000	0.00%	48,750		(2,500)	46,250	2,500
Total Payable from Wastewater				477,009	-	(33,762)	443,247	34,490
<i>Payable from Water Revenues</i>								
2012/2032	Hubbard Rd Waterline OPWC CG11K	49,550	3.03%	47,072	0	(2,478)	44,594	2,478
Total other Long-Term Liabilities				524,081	0	(36,240)	487,841	36,968
<i>Landfill Closure and Post Closure Costs</i>				22,947,456		-	22,947,456	-
<i>Compensated Absences</i>				1,503,667	253,564	(193,882)	1,563,349	137,730
TOTAL BUSINESS TYPE ACTIVITIES				\$48,091,265	\$7,534,394	(\$2,663,629)	\$52,962,030	\$2,469,713

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2014 are as follows:

Governmental Activities

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt
	Principal	Interest	Principal	Interest	Principal
2015	\$ 1,080,000	\$ 420,620	\$ 664,131	\$ 398,280	\$ 64,959
2016	945,000	370,475	662,081	370,249	64,959
2017	980,000	327,300	639,186	340,437	64,959
2018	995,000	312,750	615,086	312,408	57,459
2019	1,010,000	295,900	632,192	284,253	49,959
2020-2024	5,530,000	973,375	2,683,316	983,634	249,794
2025-2029	1,565,000	179,250	1,306,647	510,140	170,822
2030-2034	300,000	30,500	660,815	308,002	-
2035-2039	-	-	781,259	188,039	-
2040-2042	-	-	537,115	40,772	-
Total	<u>\$ 12,405,000</u>	<u>\$ 2,910,170</u>	<u>\$ 9,181,828</u>	<u>\$ 3,736,214</u>	<u>\$ 722,911</u>

Business-Type Activities

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 135,869	\$ 103,174	\$ 2,159,146	\$ 515,356	\$ 36,968	\$ 8,373
2016	137,919	98,427	2,249,019	425,483	37,718	7,622
2017	145,814	92,604	2,342,633	331,868	38,491	6,849
2018	149,914	86,423	2,440,144	234,358	39,288	6,052
2019	157,808	80,027	2,541,713	132,789	40,109	5,231
2020-2024	621,684	300,932	1,310,259	26,991	213,767	12,936
2025-2029	298,353	220,673	-	-	61,959	-
2030-2034	354,185	165,083	-	-	17,583	-
2035-2039	418,741	100,786	-	-	1,400	-
2040-2042	287,885	21,853	-	-	560	-
Total	<u>\$ 2,708,172</u>	<u>\$ 1,269,982</u>	<u>\$ 13,042,914</u>	<u>\$ 1,666,845</u>	<u>\$ 487,843</u>	<u>\$ 47,063</u>

The County has entered into a contractual agreement for the construction loans from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future debt service requirements. The balance of the Madison Township WWTP Expansion is \$12,212,298.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

At December 31, 2014 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 \$3,022,892. Of this amount, \$2,954,502 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:

<u>Year</u>	<u>Amount</u>
2015	\$712,094
2016	685,060
2017	653,334
2018	385,690
2019	128,231
2020 - 2024	261,990
2025 - 2028	<u>196,493</u>
Total	<u><u>\$3,022,892</u></u>

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

In 2014, the County received OPWC loans in the amount of \$82,048 for governmental activities to finance the Vrooman Road State Route 86 Roundabout.

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, 2014, \$1,755,000 of the 2005 issuance was outstanding. The remaining outstanding balances were refunded with the 2013 refunding issuance, described below.

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, 2015, \$9,160,000 of these bonds are considered defeased. Accordingly, the trust account assets and the liability for this defeased bond issue are not included in the County's financial statements. The County also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$1,025,614 on this refunding.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

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 \$282,422 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. Two are for governmental activities for road repairs and one is for business-type activities for wastewater 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, Youth Services Grant, Felony Delinquent Care and Custody, 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, Pilot Probation Grant, Emergency Planning, 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, Hotel/Motel, Geographic Information System, Water, Wastewater, Solid Waste, Central Purchasing, Mailroom and Garage. Employees earn 15 days of sick leave per year. Upon retirement or resignation, employees with 5 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 2032. Annual principal and interest payments on the wastewater debt are expected to require 55 percent of net revenue and 45 percent of total revenues. The total principal and interest remaining to be paid on the wastewater debt it is \$19,177,865. Principal and interest paid for the year for the wastewater debt was \$3,414,878, total net revenues were \$6,622,537 and total revenues were \$17,802,923.

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, 2014, the County had an unvoted debt margin of \$43.6 million and a direct debt margin of \$127.2 million.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE H – LONG-TERM DEBT (CONTINUED)

Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$76,505,000.

NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2014 follows:

YEAR ISSUED	PURPOSE/DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2014	PRINCIPAL ISSUED IN 2014	PRINCIPAL RETIRED IN 2014	BALANCE DEC. 31, 2014
<i>Business-Type Activities:</i>							
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable From Water Funds:</u>							
2014	Water District Improvement - 302W	2015	1.00%	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Total Notes Payable From Water Funds				-	3,000,000	-	3,000,000
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				\$ -	\$ 3,000,000	\$ -	\$ 3,000,000

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Pension Benefits

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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2014 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.0 and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement increased to 12 percent and 13.0 percent, respectively.

The 2014 employer contribution rate for state and local employers was 14.0 percent of covered payroll. The law enforcement and public safety division employer contribution rate 18.1 percent of covered payroll.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Pension Benefits (Continued)

The County's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$6,315,025, \$6,078,814 and \$7,591,117, respectively. 100 percent has been contributed for 2014, 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$175,535 made by the County and \$245,748 made by the plan members.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Other Postemployment Benefits (OPEB)

Plan Description - Ohio Public Employees Retirement System (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 that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Other Postemployment Benefits (OPEB) (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 1.0 percent during calendar year 2014. The portion of employer contributions allocated to health care for members in the combined plan was 1.0 percent during calendar year 2014. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$2,476,254, \$2,384,908, and \$2,992,252, which were equal to the required contribution.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Pension Benefits

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternate retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits were increased by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS
(CONTINUED)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10 percent of covered payroll for members and 14 percent for employers. The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2014, 2013, and 2012 were \$69,880, \$48,400, and \$50,417, respectively; 100 percent has been contributed for fiscal year 2014, 2013, and 2012. Currently, all members are enrolled in the DB Plan.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2014 *Comprehensive Annual Financial Report* was available after December 31, 2014.

Additional information or copies of STRS Ohio's 2014 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Other Postemployment Benefits (OPEB)

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. Beginning July 1, 2014, 0 percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The County's contributions for health care for the years ended December 31, 2014, 2013, and 2012 were \$1,409, \$1,961, and \$3, 878, respectively, which equaled the required amount.

NOTE K – 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 2014 for real and public utility property taxes represents collections of 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) are for 2013 taxes.

2014 real property taxes are levied after October 1, 2014 on the assessed value as of January 1, 2014 lien date. Assessed values are established by State law at 35% of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014 and are collected in 2014 with real property taxes.

The State of Ohio, with the passage of House Bill No. 66, which was signed into law on June 30, 2005, phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general businesses and railroads was eliminated by calendar year 2008. The tax on telephone and telecommunications was eliminated by calendar year 2012. For the telephone and telecommunications companies, the personal property tax is due by September 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 will be phased out.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE K – PROPERTY TAX REVENUES (CONTINUED)

The full tax rate for all County operations for the year ended December 31, 2014, was \$9.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Real Property	\$5,372,965,810
Public Utility Personal Property	<u>301,273,480</u>
Total Assessed Value	<u>\$5,674,239,290</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, 2014 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 2014 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 2014 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.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE L – RECEIVABLES & REVENUES

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Special assessments expected to be collected amounts to \$11,810,693 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$151,761.

A summary of the principal intergovernmental revenues for government-type activities are as follows:

Governmental Activities	Amount
<i>General Fund:</i>	
Casino Revenue	2,869,989
Local Government	1,031,774
Homestead and Rollback	1,005,392
Public Defender Reimbursements	739,975
Other Miscellaneous Reimbursements	411,124
<i>Total General Fund</i>	<u>6,058,254</u>
<i>Other Governmental Funds:</i>	
Federal & State Developmental Disability Grants	14,623,176
State Transportation Grants	6,795,879
Federal & State Public Assistance Grants	5,912,878
Homestead and Rollback	4,863,721
Federal & State Mental Health Grants	3,644,403
Child Support Incentives	2,688,401
Federal & State Children's Services Grants	2,040,552
Communication Systems Grants	1,804,793
Community & Economic Development	1,784,136
Transportation Grants Related to Capital Projects	1,423,781
Community Corrections Grant	1,389,045
State Reimbursements	879,972
Miscellaneous Federal & State Grants	701,851
Public Safety Grants	664,869
State Probation Grants	537,608
Prosecutor's Victim Assistance	310,537
Drug/Alcohol Grants	90,416
<i>Total Other Governmental Funds</i>	<u>50,156,018</u>
Total Intergovernmental Revenue	<u><u>56,214,272</u></u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfers From	Transfers To					Totals
	General	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Internal Service	
General	\$ -	\$ 2,086,205	\$ 1,395,565	\$ 9,606,551	\$ 245,000	\$ 13,333,321
Developmental Disabilities Board	-	-	-	5,808,688	-	5,808,688
Nonmajor Special Revenue	118,861	4,107,060	110,698	1,250,000	-	5,586,619
Nonmajor Capital Projects	1,025,897	-	-	-	-	1,025,897
Water	-	100,000	-	-	-	100,000
Transfer Totals	\$ 1,144,758	\$ 6,293,265	\$ 1,506,263	\$ 16,665,239	\$ 245,000	\$ 25,854,525

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

NOTE N – ENCUMBRANCES

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

At December 31, 2014, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2014 budget were:

General Fund	\$427,261
DD Board	24,225
ADAMHS Board	4,310
Non-Major Special Revenue Funds	878,213
Non-Major Capital Projects Funds	200,275
Enterprise Funds	334,820
Non-Major Internal Service Funds	2,927
Total	<u>\$1,872,031</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE N – ENCUMBRANCES (CONTINUED)

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2014 encumbrances less these accrued liabilities were:

General Fund	\$ 219,332
DD Board	477
ADAMHS Board	3,869
Non-Major Special Revenue Funds	731,217
Non-Major Capital Projects Funds	184,204
Enterprise Funds	91,205
Non-Major Internal Service Funds	<u>2,427</u>
Total	<u>\$1,232,731</u>

NOTE O – CONTINGENCIES, JUDGEMENTS AND CLAIMS

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

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

NOTE P – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the County to place a final 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 paid 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. The \$22.9 million reported as landfill closure and post closure care liability at December 31, 2014, represents the cumulative amount reported to date based on the use of 91.9% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$3.7 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 2014. The County expects to close the landfill in the year 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE Q – RELATED PARTY TRANSACTIONS

During 2014, 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 \$81,433 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 R – 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 2014 as compared to the previous year. Insurance premiums paid to private carriers during 2014 were approximately \$0.8 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$162,352 and dental claims of \$15,957, have been accrued based upon a review of the January, 2015 billings provided by the County Commissioners' Office.

The total claims liability of \$178,309 reported in the internal service fund at December 31, 2014, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE R – RISK MANAGEMENT (CONTINUED)

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
<u>Prescription:</u>				
2012	\$ 227,123	\$ 4,218,548	\$ 4,572,276	\$ 126,605
2013	126,605	4,484,061	4,546,080	64,586
2014	64,586	3,249,598	3,151,832	162,352
<u>Dental:</u>				
2012	\$ 40,242	\$ 710,285	\$ 710,613	\$ 39,914
2013	39,914	689,356	678,642	50,628
2014	50,628	691,032	725,703	15,957

NOTE S – PUBLIC ENTITY RISK POOLS

COUNTY RISK SHARING AUTHORITY

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2014 was \$773,268.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE T – DEFICIT FUND BALANCES/NET POSITION

At December 31, 2014, the following funds had deficit fund balances/net position:

<u>Fund</u>	<u>Amount</u>
Workforce Investment Act	\$75,942
Juvenile Court Computerization	72,454
Domestic Relations Court Computer	18,783
Coastal Feasibility Study	3,541

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 deficits in the Workforce Investment Act, Domestic Relations Court Computer and Coastal Feasibility Study Funds are the result of recognizing expenses on the modified accrual/accrual basis of accounting. These deficits 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 U – SUBSEQUENT EVENTS

On March 9, 2015, the County issued \$2,400,000 in bond anticipation notes for the construction of a Utilities Maintenance Facility. The new notes have an interest rate of 1.00 percent and mature on March 24, 2016.